



# Diagnostic

## Alternative Data Landscape in South Africa

June 2021

IN PARTNERSHIP WITH



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## Table of acronyms

<b>BASA</b>	Banking Association South Africa
<b>BusCRI</b>	Business Credit and Risk Information Sharing Initiative
<b>CBA</b>	Credit Bureau Association
<b>CFPB</b>	Consumer Financial Protection Bureau
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>FMCG</b>	Fast-Moving Consumer Goods
<b>ICCR</b>	International Committee on Credit Reporting
<b>MNO</b>	Mobile Network Operator
<b>MPOS</b>	Mobile Point of Sale
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>NCA</b>	National Credit Act
<b>NCR</b>	National Credit Regulator
<b>PAIA</b>	Promotion of Access to Information Act
<b>POPIA</b>	Protection of Personal Information Act
<b>QLFS</b>	Quarterly Labour Force Survey
<b>RICA</b>	Regulation of Interception of Communications and Communication-Related Information Act
<b>SACRRA</b>	South African Credit and Risk Reporting Association
<b>SAHRC</b>	South African Human Rights Commission
<b>SARB</b>	South African Reserve Bank
<b>SARS</b>	South African Revenue Service
<b>SBC</b>	Small Business Corporation
<b>SME</b>	Small and Medium Enterprise
<b>USSD</b>	Unstructured Supplementary Service Data
<b>VAT</b>	Value Added Tax

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## Foreword

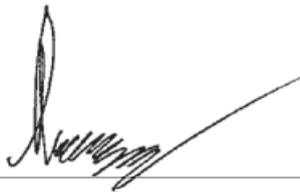
We are pleased to present this Alternative Data Landscape study, a joint publication of the World Bank Group and the National Credit Regulator with the drafting support of 7point4.

A significant portion of the MSMEs are credit constrained with the financing gap for the formal sector estimated at ZAR510 billion (US\$30 billion). The lack of adequate credit history impedes on the credit providers' ability to perform creditworthiness assessment. Notwithstanding the absence of credit history, these economic agents are generating vast amounts of data that lenders can leverage on. The study identifies potential alternative data points and sources; and operational, legal, and regulatory challenges associated with collection, sharing and processing of this data. This study included in-depth interviews of 58 MSMEs operating in two large townships in South Africa: Khayelitsha in Cape Town and Orange Farm in Johannesburg. An additional 12 interviews were conducted on more formalized businesses.

The findings of the study reveal that while the credit information sharing landscape is well developed but it is entirely consumer focused thus resulting in most of MSMEs being credit invisible and making it difficult for them to access credit. Efforts by the industry to plug this gap has largely been unsuccessful. The study identified several useful alternative data points that are not currently shared within the bureau environment which can be used for creditworthiness assessment of thin or no file customers. It noted some efforts of alternative lenders mainly in the retail and taxi industries to leverage on alternative data. The low level of digitization of small businesses, particularly those operating in townships, makes their cashflows invisible and constraints the ability to validate, aggregate and share the data.

The insights of this study demonstrate traditional credit assessment methodologies can be complemented with alternative data to promote access to credit to MSMEs thus creating employment and stimulating growth. The attainment of the promise of the alternative data, however, lies in the ability to reform the policy environment to mainstream and promote its responsible usage. There is also a need to promote digitization of businesses and accelerate the digital payment systems reforms.

We trust that the recommendations proffered in this report will stimulate policy discussions on how the policy makers can catalyze the responsible usage of alternative data to promote access to credit for SME Finance, particularly at a time when economy is emerging from the devastating impact of COVID.



**Riadh Naouar**

Manager, FIG Advisory, Middle East & Africa  
International Finance Corporation



**Nomsa Motshegare**

Chief Executive Officer  
National Credit Regulator, South Africa



## EXECUTIVE SUMMARY

*The objective of the study is to produce an alternative data landscaping report that identifies the potential data points, data sources, regulatory and legal challenges and concerns in sharing and using alternative data, and provide recommendations on integrating alternative data in the credit information reporting system in South Africa. The research was conducted in early-to-mid 2020, coinciding with the COVID-19 pandemic.*

While the brief of the project specifically references consumers and informal MSMEs, the research focused predominantly on township based MSMEs. Township MSMEs have been a focus of several interventions, many of which focus on access to finance. This includes a recently announced township entrepreneurship fund of R800 million, which has subsequently been postponed as part of the COVID-19 budget adjustments.<sup>1</sup> The focus on township MSMEs reflects the very pressing need to enable the growth of MSMEs as part of South Africa's post-COVID-19 recovery strategy, the need for economic development in historically poor areas and the obvious gap in South Africa with regard to credit information sharing for businesses more broadly.

Notwithstanding the focus on township businesses, in light of the very pressing need to enable access to credit for *all* MSMEs, including those that are more established and that operate within South Africa's formal economy, the report references existing data and research on the MSME sector as a whole. In addition, the project team conducted telephonic interviews with 58 MSME owners who operate in two large townships in South Africa; Khayelitsha in Cape Town and Orange Farm in Johannesburg. Interviews with these business owners sought to map their data footprints, and capture the experience and attitudes of established MSMEs that span the formal/informal divide. An additional 12 interviews were conducted with more formalised businesses that had recently visited the Finfind website, either to request funding or access content. The project team also reviewed key regulations that shape the credit information sharing environment and interviewed sector participants including industry associations, credit bureaus, lenders and alternative data providers.

### Key findings

#### **Credit information sharing infrastructure**

South Africa's consumer credit information and information sharing landscape is well developed but it is entirely consumer focused. Credit bureaus in South Africa hold data on 25.2 million consumers<sup>2</sup> out of a total adult population of 39.2 million<sup>3</sup> adults. Registered lenders are required to submit data on all consumer credit agreements to a central Data Transmission Hub, and through that, to registered credit bureaus. Credit providers submit both positive and negative data in line with clearly defined protocols and layouts.

In stark contrast to the sophisticated credit information sharing infrastructure relating to consumer credit in South Africa, there is no credit information sharing infrastructure in South Africa designed for businesses. Layouts and industry standards for information sharing are designed to accommodate individuals rather than business entities, and are specified in line with standard consumer credit products rather than business loans. Where information on credit granted to small businesses is shared, it is shared in line with consumer credit layouts and associated with the individual business owner, rather than the business entity. This critical gap within the credit information sharing environment is well recognised; SACRRA, the industry body that facilitates credit information sharing, launched a project as far back as 2011 focused specifically on MSMEs and developed proposed layouts to facilitate business credit information sharing. However, no business credit data has been shared as yet and there is no set completion date for the project. In light of other pressing needs relating to consumer credit information sharing, some of which have emerged as a result of COVID-19, sector participants indicated that business credit information sharing is unlikely to be a priority in the short to medium term.

<sup>1</sup> <https://ventureburn.com/2020/06/township-entrepreneurship-fund-delayed-seda-funding-cut-as-covid-19-support-prioritised/>

<sup>2</sup> National Credit Regulator, Credit Bureau Monitor, December 2019.

<sup>3</sup> Adults aged 18 and above according to the Quarterly Labour Force Survey Q1 2020.

## Legal environment

The primary legislation that governs credit information sharing in South Africa is the National Credit Act (2005) (NCA). The Act stipulates that all registered credit providers must report consumer credit information in a manner and form prescribed by the NCR. However, the Act's primary focus is on consumer credit. There is no requirement for lenders to share data on loans granted to small businesses, save for small juristic entities that are considered by the National Credit Act to be consumers. This includes companies, close corporations and partnerships whose asset value or annual turnover is below R1 million and where the credit agreement is under R250 000. These thresholds have not been adjusted since they were first gazetted in 2006. Even where lending activity falls within these thresholds, bureaus indicate that minimal credit information is shared, and the requirement for lenders to submit data on loans granted to juristic persons in line with the NCA is not enforced.

Two other acts frame data sharing more broadly, namely; the Protection of Personal Information Act (2013) (PoPIA) and the Promotion of Access to Information Act (2000) (PAIA). The purpose of PoPIA is to protect people and juristic entities from harm arising from misuse of their personal information. All other regulations regarding the protection of personal information must comply with PoPIA. The Act defines eight principles which must be addressed when processing personal information. These include accountability, processing limitations, purpose specification, information quality, openness, security, and data subject participation. The intention of the Act is not to prohibit the free flow of information, but rather to ensure that the data is collected and processed with the data subject's consent and in a secure and responsible manner. Sector participants interviewed as part of this research do not believe that PoPIA will inhibit necessary credit information sharing.

The Promotion of Access to Information Act (PAIA) ensures that data subjects can access their own data from the service providers they interact with. The ramifications of the act are likely to become increasingly important as innovative platforms emerge that enable MSME owners to request and share verified information from third party service providers in order to establish credentials with lenders.

## Alternative data opportunities

For many, the term 'alternative data' brings to mind data that is generated through the use of mobile phones and personal computers. This includes data, metadata and location data derived from internet, social media and app usage.

A broader definition of 'alternative data' covers any data that is not traditionally housed within a bureau environment. These can be linked to the individual business owner, or to the business.

For data to be useful for lenders for credit assessment purposes it should have wide coverage in the target market and be reliably associated with the data subject. It should also be accurate, accessible and predictive of business credit behaviour. There are many theoretically useful alternative data points in South Africa that are not currently shared within the bureau environment. However, not all of them are useful for business lenders in reality. For instance, while prepaid mobile phone usage is high and could, in theory be useful for lenders to assess affordability, in practice lenders note that the service cannot reliably be linked to a specific user limiting its usefulness. In addition, the data is not easily accessible; there are no mechanisms to compel mobile network operators to share this data within a bureau environment, nor are there clear incentives for them to do so. There is also no accessible mechanism to enable subscribers to request and share this data with lenders directly. With regard to municipal accounts, another data source with wide coverage in the market, there may be concerns about data accuracy in some municipalities. In addition, high arrears on municipal accounts in many townships might reflect historically low collections rates and a widespread social tolerance for default rather than an inability or unwillingness to repay loans. With regard to other available data that pertains to consumer payment behaviour, even where data is accurate and predictive within a consumer context, there is no consensus as to the usefulness of the data in predicting *business* credit risk. Some participants in the sector maintain that the continued reliance by business lenders on indicators pertaining to the individual business owner's personal credit utilisation and financial management undermines access to business credit; it is used more because it can be than because it should be.

Unsurprisingly, data on business cash flows was identified by lenders and credit bureaus as a priority in demonstrating the creditworthiness of MSMEs. However, in the sample of township businesses interviewed for this study, just one of the 58 business owners tracks business activity using business information software and few maintain accurate accounts. Almost all township business owners interviewed as part of this study use cash as their main form of payment and have no verifiable records of payments made to suppliers. The majority receive payments predominantly in cash and just four of the 58 business owners interviewed accept debit or credit card payments. Bank account usage is widespread and several business owners were consciously trying to make their cash flows visible by depositing funds into their bank accounts. Some explicitly noted they did so to improve their chances of being able to access credit in the future.

That said, it would be misleading to focus exclusively on the limited data footprint of township businesses as the principal data constraint impacting on access to finance for these businesses. Even if the data existed – as it does in many cases for more established small businesses with richer data footprints – it would not enable access to credit as there is no mechanism for validated data to be collated and disseminated within a shared data environment.

During the course of this study the team identified a number of innovative credit providers that are granting credit to small businesses. Four case studies are noteworthy. Payment service provider Yoco offers payment solutions including mobile point of sale (MPOS) devices to merchants and uses transactions data to support credit decisioning. Zande Africa tracks spaza shop payments for stock purchases to offer inventory finance. A2Pay tracks sales in spaza shops and grants credit on the back of this data and SA Taxi uses telemetry to monitor the activity of taxis that it finances, gathering useful data on capacity and demand on key routes.

These case studies demonstrate that there is effective demand for credit that traditional market players are unable to meet using standard business models. That smart, nimble, non-traditional companies were able to meet this demand implies significant scope for additional leveraging of technologies that harness and process new forms of data generated at low cost. While this is encouraging, all of these lenders rely on proprietary data sources to assess credit risk, and none of these lenders share repayment data within a bureau environment. This has clear implications for the competitiveness and contestability of the MSME lending sector with negative repercussions for small businesses borrowers whose repayment information is not shared. These MSMEs may well remain locked into specific and often costly credit providers.

### **Recommendations**

In light of these findings, the team has prepared a number of recommendations with regard to MSME credit information sharing that focus on four specific areas:

1. Enabling business credit information sharing for MSMEs;
2. Incorporating specific sources of alternative data within this new enhanced credit information environment that provide insight into business activity;
3. Supporting the adoption of digital payment solutions to augment the universe of useful and accessible alternative data;
4. Supporting the development of data sharing models that are led by business owners. These so-called data sovereign models are particularly important when data providers cannot be compelled to share data and where no adequate incentive exists for them to do so. A critical example includes MNO data which has been widely used in other countries to support credit decisioning particularly of previously excluded segments.

**Table 1: Summary of recommendations: data pertaining to MSMEs and business owners**

PRIMARY RECOMMENDATION	COMPONENT RECOMMENDATIONS	STAKEHOLDER
<b>Recommendation 1:</b> Introduce mandatory sharing of business credit information in South Africa.	<b>1.1 Develop comprehensive legislation to mandate credit information sharing for small businesses</b> <ul style="list-style-type: none"> <li>New legislation will be required for SMEs to align with the definition of small businesses in line with the Small Business Act to mandate credit information sharing for SMEs that fall outside of the NCA.</li> <li>As with consumer credit, this would require lenders to submit data on business loans granted in line with a prescribed layout to a central data hub that could be accessed by credit bureaus.</li> </ul>	<ul style="list-style-type: none"> <li>National Treasury.</li> <li>Department of Small Business Development.</li> <li>Department of Trade and Industry.</li> <li>National Credit Regulator.</li> <li>Financial Sector Conduct Authority.</li> </ul>
	<b>1.2 Enforce credit information sharing for businesses currently covered by the NCA</b> <ul style="list-style-type: none"> <li>As the legislative process is a fairly lengthy one, existing regulations should be enforced in the interim.</li> <li>The NCA already requires lenders to report on small juristic persons (annual turnover of under R1 million). Enforcement is not easy due to challenges in determining annual turnover.</li> <li>Leverage layout developed by SACRRA for business loans as part of the BusCRI initiative to ensure that loans granted to these entities are recorded as business loans rather than as consumer credit.</li> <li>The NCR should actively monitor and report on the number of juristic persons that are within the credit reporting environment.</li> </ul>	<ul style="list-style-type: none"> <li>National Credit Regulator.</li> <li>SACCRA.</li> <li>Credit bureaus.</li> </ul>
	<b>1.3 Increase the threshold delineating small juristic persons with the NCA</b> <ul style="list-style-type: none"> <li>The current threshold is R1 million annual turnover.</li> <li>As an immediate next step, this threshold should, at the very least, be increased by the Minister in the Department of Trade and Industry to adjust for the effects of inflation since the threshold was first gazetted in 2006.</li> </ul>	<ul style="list-style-type: none"> <li>Minister in the Department of Trade and Industry.</li> </ul>
<b>Recommendation 2:</b> Incorporate alternative data on MSMEs within the bureau environment.	<b>2.1 Incorporate data on business bank accounts</b> <ul style="list-style-type: none"> <li>Under South Africa's open banking initiative, develop a set of useful indicators that characterise MSME banking behaviour and share these within the credit information sharing environment.</li> <li>Indicators could include: account open date and close date, current balance, credit/overdraft limit, facility status, minimum balance, maximum balance, average balance, credit turnover, debit turnover and rejected payments.</li> </ul>	<ul style="list-style-type: none"> <li>Financial Sector Market Conduct Authority.</li> <li>National Credit Regulator.</li> <li>Banking Association of South Africa.</li> <li>SACRRA.</li> <li>Credit bureaus.</li> </ul>
	<b>2.2 Incorporate data generated by MPOS solutions</b> <ul style="list-style-type: none"> <li>Develop, test and incorporate key indicators generated off merchant payment solutions for incorporation into the credit bureau environment.</li> </ul>	<ul style="list-style-type: none"> <li>MPOS solution providers.</li> <li>Credit bureaus.</li> </ul>
	<b>2.3 Incorporate supply chain data</b> <ul style="list-style-type: none"> <li>Assess the willingness of logistics companies, supply chain management companies and large suppliers to provide data on MSME customers within a bureau environment.</li> <li>If feasible, develop, test and incorporate key indicators relating to supplier purchases generated by these entities into the credit bureau environment.</li> </ul>	<ul style="list-style-type: none"> <li>National Credit Regulator.</li> <li>Supply chain management companies.</li> <li>Credit bureaus.</li> </ul>

PRIMARY RECOMMENDATION	COMPONENT RECOMMENDATIONS	STAKEHOLDER
<b>Recommendation 3:</b> Drive adoption of digital payment solutions by merchants in order to enrich the data footprints of MSMEs.	<b>3.1 Drive down cost of existing digital payment solutions</b> <ul style="list-style-type: none"> <li>Remove all regulated minimum fees on merchant solutions.</li> <li>Explore the feasibility of subsidising hardware and transactions costs on low value merchant transactions/ payments made to small merchants in townships.</li> </ul>	<ul style="list-style-type: none"> <li>South African Reserve Bank.</li> <li>Payments Association of South Africa.</li> <li>MPOS providers.</li> </ul>
	<b>3.2 Align the turnover tax threshold with the NCA threshold for small juristic persons</b> <ul style="list-style-type: none"> <li>The current threshold of R1 million may incentivise MSMEs to retain cash as the primary means of transacting to avoid taxation.</li> </ul>	<ul style="list-style-type: none"> <li>SARS.</li> <li>Department of Trade and Industry.</li> </ul>
<b>Recommendation 4:</b> Enable MSME owners to access and share their own data.	<b>4.1 Encourage the creation of platforms that enable data sharing</b> <ul style="list-style-type: none"> <li>Develop platforms that enable individuals and MSME owners to access their own data and share verified data with authenticated third parties.</li> </ul>	

In addition to the recommendations relating to information sharing with regard to MSMEs the research has highlighted a number of areas where alternative data that pertains to consumers could be included within the bureau environment. However, as with some data pertaining to MSMEs, there may be limited willingness of data holders to share this information and no regulatory mechanism to compel them to do so. It is therefore critical that individual data subjects can access this data easily and share it directly with lenders. Recommendations with regard to consumer data are summarised below.

**Table 2: Summary of recommendations: data pertaining to consumers**

PRIMARY RECOMMENDATION	COMPONENT RECOMMENDATIONS	STAKEHOLDER
<b>Recommendation 5:</b> Incorporate alternative data on consumers within the bureau environment.	<b>5.1 Incorporate data on individual bank accounts</b> <ul style="list-style-type: none"> <li>Under South Africa’s open banking initiative, develop a set of useful indicators that characterise consumer banking behaviour and share these within the credit information sharing environment.</li> </ul>	<ul style="list-style-type: none"> <li>National Credit Regulator.</li> <li>Financial Sector Conduct Authority.</li> <li>Banking Association of South Africa.</li> <li>SACRRA.</li> <li>Credit bureaus.</li> </ul>
	<b>5.2 Incorporate data on rental payments</b> <ul style="list-style-type: none"> <li>Actively encourage small-scale township landlords to submit data to credit bureaus.</li> </ul>	<ul style="list-style-type: none"> <li>TPN and other bureaus.</li> <li>Funders of backyard rental units.</li> </ul>
	<b>5.3 Incorporate data on municipal accounts</b> <ul style="list-style-type: none"> <li>Actively encourage municipalities to submit data on payment plans reached with delinquent clients to the bureau environment, ideally through SACRRA.</li> </ul>	<ul style="list-style-type: none"> <li>National Credit Regulator.</li> <li>SACRRA.</li> <li>Municipalities.</li> </ul>
<b>Recommendation 6:</b> Enable consumers to access and share their own data.	<b>6.1 In light of the potential impact and wide coverage of MNO data, a special focus is warranted to enable consumers to access and share their data on pre-paid usage behaviours</b> <ul style="list-style-type: none"> <li>Improve processes to access and share recharge and utilization data for RICA’d customers.</li> <li>Develop useful indicators relating to mobile recharge and utilisation patterns.</li> </ul>	<ul style="list-style-type: none"> <li>MNOs.</li> </ul>
	<b>6.2 Enable consumers to share their data on lay-by payments</b> <ul style="list-style-type: none"> <li>Improve processes to access and share data on lay-by payments.</li> </ul>	<ul style="list-style-type: none"> <li>Retailers.</li> </ul>



## 2 INTRODUCTION

### 2.1. Objectives and context

*This alternative data landscaping study, led by the World Bank Group and the National Credit Regulator, identifies sources of alternative data and explores the feasibility of integrating these data sources into the credit information reporting system in South Africa. The project's ultimate objective is to enable access to credit for marginalized groups with a focus on MSMEs to drive economic growth, create employment and support financial inclusion.*

The specific objectives of the study are to:

- Explore existing credit information sharing infrastructure and processes in South Africa.
- Identify the various alternative data points for individuals and informal MSMEs including those currently being used by innovative providers in South Africa as well as those that are not currently being used but that could be accessed in the future.
- Identify the data sources and the various ways of collecting and processing the data for credit information.
- Analyse factors that would enable or limit the collection and integration of alternative data in the credit reporting system, including: motivation of MSMEs, individuals and data providers to share data; legal and regulatory constraints to the collection and sharing of alternative data; and data protection, privacy and confidentiality concerns of the individuals and MSMEs based on the National Credit Act and associated regulations as well as the Protection of Personal Information Act (POPI Act).

The research was conducted in early-to-mid 2020, coinciding with the COVID-19 pandemic and the implementation of stringent lockdown measures. These have had a dramatic impact on the economy, and on small businesses in particular. Even before the COVID-19 pandemic, the South African economy was performing poorly. Economic growth has been sluggish for at least six years and GDP growth has been lower than population growth throughout this period.

If MSMEs are to play a meaningful role in the country's post COVID-19 recovery underlying constraints that impact on MSME growth will need urgent attention. A problem repeatedly identified in surveys and diagnostics of MSMEs in South Africa is access to credit,<sup>4</sup> a problem which persists despite South Africa's well-developed banking and credit sectors. Many MSMEs are characterised as informal, a term which is at best loosely defined. Arguably a better characterisation of these businesses is 'unseen', a term used by the IFC/World Bank in its 2018 report on the sector. While these businesses may or may not be formally registered, what they have in common is that financial institutions lack information to assess their creditworthiness. This is not a new problem, nor is it newly identified in this report.

However, the exponential growth in the adoption of digital solutions by business owners has created opportunities to leverage data and metadata garnered from these solutions for credit assessment purposes. From a lender's perspective, this data could transform businesses or individuals who are 'unseen' or characterised as 'thin file' or without sufficient data to enable risk assessment, into viable potential borrowers. To quote from a recent press article:

<sup>4</sup> <https://accessofinancereport.co.za/pdf/INAUGURAL-REPORT.pdf>  
and [https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/resources/msme-opportunity-south-africa](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/msme-opportunity-south-africa)

*'For many banks that are still struggling to serve South Africans in an impactful (as well as profitable) manner, the newfound ability to unlock alternative data securely and efficiently can be nothing short of transformative. Arguably, as banks harness new data sets to make decisions around credit, they will quickly discover many other opportunities that have been 'locked', or hidden, within alternative data'.<sup>5</sup>*

This study focuses on MSMEs based in township areas. These businesses are likely to struggle the most to access finance because their data footprints are limited. Most are entirely cash-based and maintain no business records, making it difficult for lenders to reliably assess cashflows. To enable access to finance for this segment of the MSME market interventions will be required to increase the data footprint or visibility of the MSME. But beyond this it is critical to enable improved sharing of and access to this data by lenders. Enabling data sharing is a critical requirement to support lending to all small businesses, even those with rich data footprints. For this reason the report includes some data on more visible, established small businesses.

## 2.2. Methodology

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The research is a combination of desktop and fieldwork with both supply-side and demand-side actors.

On the supply side the project team conducted ten interviews. This included interviews with three of the six primary credit bureaus, as well as a micro lender, a number of small business lending experts and a company that generates credit scores using alternative data. The team also explored lending platforms and consulted with legal experts with a focus on data privacy and protection.

On the demand side a telephone-based survey was conducted with 58 small business owners based in townships in Cape Town and Johannesburg as well as a further 12 owners of small businesses that have made use of the Finfind platform, either to make a funding request or access other content on the website. In-depth follow-up interviews were conducted with selected business owners to gather additional detail on their business, credit experience and data footprints.

In addition, the team reviewed available data and analysis on MSME access to credit more broadly. Much of this pertains to more established, visible MSMEs that are registered on the Finfind platform and have made funding requests. Because of the potential contribution to growth and employment of this critical segment of the MSME market, key findings pertinent to that segment are included in this report. Recommendations relating to data sharing are made cognisant of the needs of this segment – which align entirely with those of 'unseen' businesses.

## 2.3. Structure of this report

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The report describes the credit information sharing industry in South Africa, covering its development, primary focus and methods of handling data. It includes an overview of the relevant legislation that frames credit information sharing.

This diagnostic then reviews the MSME landscape tested against the data footprints of MSMEs surveyed as part of this study, as well as those documented in other studies.

The assessment explores some initiatives that leverage alternative data in South Africa, all of them driven by profit-making private sector players.

Finally, the concluding chapter will outline key recommendations emanating from the research. These address both the challenges of credit information sharing for MSMEs more broadly as well as the promise of alternative data in enhancing credit access for MSMEs in South Africa.

<sup>5</sup> <https://www.bizcommunity.com/Article/196/662/203689.html>

## 3

## THE CREDIT INFORMATION SHARING INDUSTRY IN SOUTH AFRICA

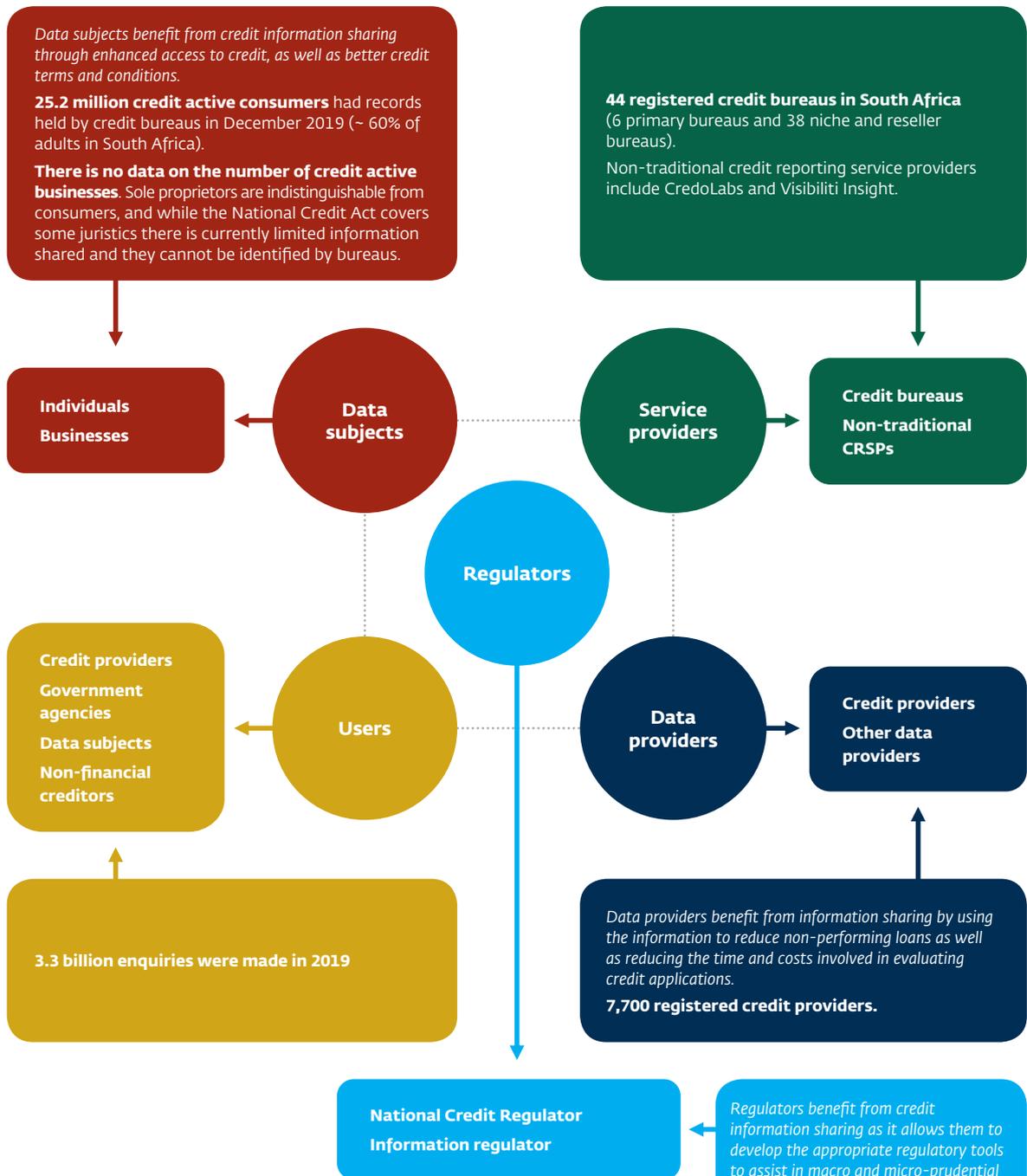
*Credit information sharing is a necessary element of any credit industry. Enabling lenders to share information on borrowers and their credit histories, including the take up and repayment of credit products, reduces information asymmetry. In addition, because borrowers understand that their payment behaviour is shared across the sector and is visible to all lenders, it increases their incentives to repay loans. Detailed loan level data maintained by credit bureaus is also helpful for regulators that assess aggregate risk.<sup>6</sup>*

### 3.1. Overview of the credit information sharing system

South Africa has a highly developed consumer credit information sharing ecosystem, scoring seven out of a possible eight for the depth of credit information score in the 2020 Doing Business indices. The key participants in the credit information sharing system are described in Figure 1 overleaf.



**Figure 1: Participants in the South African credit information sharing environment**



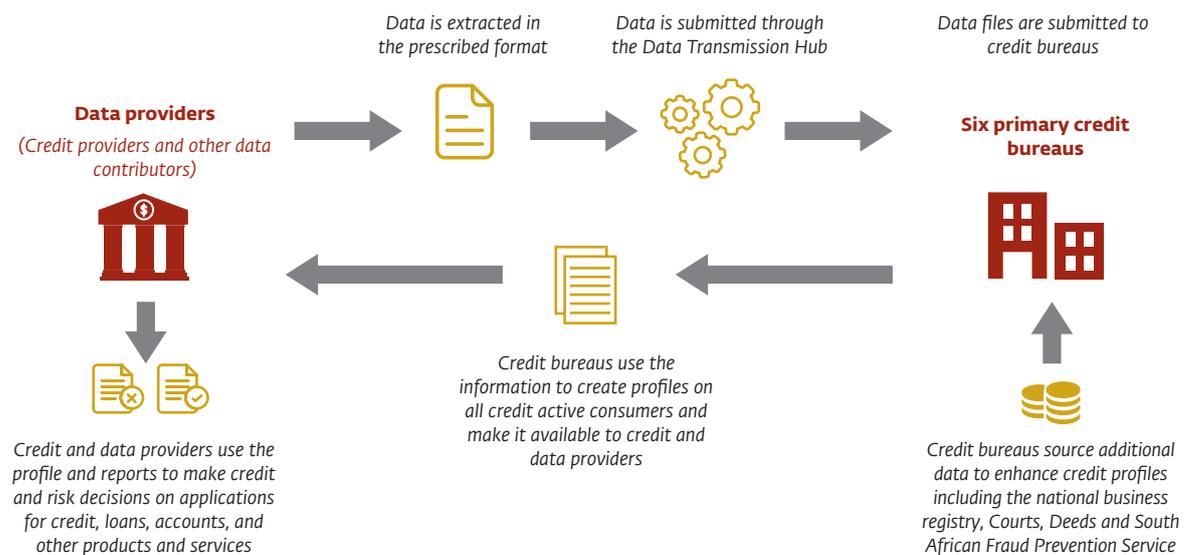
**Associations**

**Credit Bureau Association (CBA)** - voluntary industry body, representing 13 of the registered credit bureaus. The CBA's mandate is to provide a framework for sustainable and well-functioning credit information sharing system, facilitate fair practice, promote transparency, accountability and high-quality credit reporting.

**The South African Credit and Risk Reporting Association (SACRRA)** - voluntary association of members that share credit and risk performance data of their customers. SACRRA aims to give their members control of their data for them to comply with existing legislation.

In 2017, the National Credit Regulator (NCR) developed guidelines for sharing credit information, based on the existing standard and practice for submitting consumer credit information to credit bureaus, facilitated by the South African Credit and Risk Reporting Association (SACRRA). The NCR endorsed the existing self-regulating data sharing processes and entered into a memorandum of agreement with SACRRA and the Credit Bureau Association (CBA) as co-owners of the existing data sharing technology known as the Data Transmission Hub. The SACRRA data sharing environment is described in Figure 2 below.

**Figure 2: The SACRRA data sharing environment<sup>7</sup>**



Aside from credit providers that are mandated to submit information to credit bureaus, other organisations supply data voluntarily. These companies provide service-related risk products like insurance and post-paid mobile phone contracts. They share information to expand the view of consumers’ broader financial obligations and in return make use of the information held at the credit bureaus for risk assessment.

Despite South Africa’s highly developed credit information sharing environment, there is currently a major gap; the system focuses on the credit records of individual consumers and has only a marginal and underutilised ability to provide information on businesses.

The omission of business credit information reflects the historical development of credit information sharing infrastructure in South Africa. Credit information sharing long predates the formal regulation of the sector. It emerged voluntarily, with large retail banks and credit retailers sharing data on a reciprocal basis, rather than as a response to a regulated requirement. Banks and retailers in South Africa appreciated the usefulness of voluntarily sharing information about the credit track records of their clients in return for access to similar records of competitor lenders.

In 2011, SACRRA constituted the Business Credit and Risk Information Sharing Initiative (BusCRI)<sup>8</sup> to close the gap with regards to business credit information sharing. The project specifically focuses on micro, small and medium businesses. There has been some progress, including the development of data submission specifications for banking, agriculture, and the telecommunications industry. However, no completion date has been set for the project and it is unclear when business credit information will be shared with participating bureaus. Interviewees indicated that business credit information sharing is not a priority for the sector which is structured to meet the needs of consumer credit providers and respond to the regulatory environment. SACRRA faces several pressing consumer-related issues that require urgent attention, many of which have emerged because of COVID-19. In addition, there is no regulatory mechanism to compel the sharing of data on business credit.

<sup>7</sup> [https://8550f3co-5949-469c-aa87-fae7dffcd22f.filesusr.com/ugd/1a2472\\_4ccdecfc16034ab39b374eb90673bcod.pdf](https://8550f3co-5949-469c-aa87-fae7dffcd22f.filesusr.com/ugd/1a2472_4ccdecfc16034ab39b374eb90673bcod.pdf)

<sup>8</sup> <https://www.sacrra.org.za/buscri>

### 3.2. Information included in consumer versus commercial credit reports

Registered lenders and other data providers submit both positive and negative data on consumer credit accounts to credit bureaus. Credit bureaus use this information to generate credit reports. As per the National Credit Act (NCA), consumers have a right to access their reports and to correct any misrepresentations that might appear on their credit records. Consumers can access one free credit report from each bureau every 12 months.

Consumer credit reports contain the following information:

- **Personal information** - including full name, ID number, marital status, dependents, email address, contact numbers, address information and employment information.
- **Account information** - including number of accounts, account type (type of credit, insurance, post-paid contract, etc.), date opened, account number, opening balance, current balance, instalment, instalment frequency and payment history (five years of payment history is retained by the bureaus).
- **Adverse information** - including the number of judgements, notices and defaults, and whether the data subject is under debt review.
- **Number of enquiries made.**
- **Credit score** - credit bureaus use the information to develop a credit score which indicates the likelihood the subject will default on a loan.

As noted, credit information sharing in South Africa is focused on individual consumers with limited credit information being shared on businesses. Many juristic entities fall outside of the NCA and there is no requirement for lenders to share data. Even for those smaller juristic persons that are treated as consumers by the NCA, credit information is generally not shared. Where it is, the data is submitted for the individual business owner and conforms to prescribed layouts for consumer credit.

Despite the limited sharing of business credit information, some credit bureaus compile commercial credit reports and generate business credit scores. These reports rely largely on public domain company data. In addition, some credit bureaus have established relationships with large suppliers to access trade credit data. This information is usually provided free of charge to bureaus that, in return, generate reports for suppliers on their customers. Some bureaus augment this information with additional sectoral analysis, as well as bespoke research, including trade references and site visits at an additional cost.

Commercial credit reports typically contain the following information:<sup>9</sup>

- **Company details** – business name, registration number, registration date, tax number, business type, sector, registered address and VAT information.
- **Auditor information** – auditor name and address.
- **Adverse information** – default listings, judgements, business rescue.
- **Property interests** – title deed number, purchase date, purchase prices, address.
- **Principal information** – name, ID number, birth date, appointment date, address.
- **Account information:** This may include trade credit and, to the extent available, other credit agreements and contractual obligations such as telecoms contracts. Where account information is available this will include date account opened, opening and current balance, payment terms and how the business is paying relative to those terms.
- **Enquiry history.**
- **Commercial credit score.**

Commercial credit reports are primarily generated for larger, more established businesses. Lenders providing business finance to MSMEs tend to rely on the owner's personal credit score as a proxy.

<sup>9</sup> Based on conversations with credit bureaus and publicly available information on commercial credit reports.

Access to consumer credit in South Africa is high; as at December 2019 there were 25.2 million credit active consumers equating to 60% of South African adults. However, rates of default are also high; 43% of credit active consumers have at least one account that is three months or more in arrears.<sup>10</sup> A reliance on consumer credit scores may well inhibit many small business owners from accessing credit for their business. Finfind, an online platform that matches MSME funding requests with funders notes that the most commonly accessed page of the Finfind finance literacy modules is the one entitled, 'what if I have a bad credit record'.<sup>11</sup> In addition, an unpublished report prepared for Finfind notes:

*"Lenders place a heavy reliance on the consumer credit data of business owner/s to assess business credit risk which significantly prejudices their financing opportunities. Unlike larger concerns, small businesses invariably face cash flow issues, and must make decisions on how best to use that money. Many owners have a tendency towards loyalty to a smaller number of employees, and the dependence on willing suppliers means that these bills are often paid before the owner(s)' personal ones. This can have a negative impact on consumer credit rating for SMME owner(s), and subsequently impact negatively on their ability to raise finance for their businesses."<sup>12</sup>*

Research from other countries indicates limited predictive power of individual credit performance for business credit. While there is no similar published research in South Africa it is plausible that lenders suffer from observational biases and rely too much on what is available, rather than seeking data that is truly useful.<sup>13</sup>

### 3.3. Legal and Regulatory Framework

There are three primary pieces of legislation that regulate credit information sharing in South Africa; the National Credit Act (2005), the Protection of Personal Information Act (2013) and the Promotion of Access to Information Act (2000).

#### **The National Credit Act (2005)**

The National Credit Act (2005) (NCA) was developed "to promote and advance the social and economic welfare of South Africans, promote a fair, transparent, competitive, sustainable, responsible, efficient, effective and accessible credit market and industry, and to protect Consumers".

The focus of the NCA is on consumer credit. The Act applies to 'natural persons' (i.e. individuals) and to 'juristic persons' (i.e. businesses) with an asset value or annual turnover of less than R1 million and where a credit agreement is valued at under R250 000.

The Act prescribes what consumer credit information may be reported and to whom it may be reported. 'Consumer credit information' includes information concerning a person's credit history, their financial history, their personal details and a person's identity. The Act also specifies several functions which credit bureaus are required to perform, including accepting, verifying and maintaining consumer credit information.

In March 2015, various amendments were made to the NCA, including:

- Regulation 19(13) which stipulates that all registered credit providers must report credit information in a manner and form prescribed by the NCR.<sup>14</sup>
- Regulation 17(1) which sets out maximum time limits with respect to the retention of data by bureaus, principally to protect consumers who may be denied access to credit because of negative indicators retained by bureaus for many years.

<sup>10</sup> <http://ncr.org.za/documents/CBM/CBM%20Q4%202019.pdf>

<sup>11</sup> <https://www.accessstofinancereport.co.za/pdf/SA-SMME-Access-to-Finance-Report-2017-FINAL-VERSION-FOR-RELEASE-on-10-July-2018.pdf>

<sup>12</sup> "SMME Credit Information Assessment in South Africa", Research Report prepared for Finfind by Adv. Jan Augustyn, December 2019.

<sup>13</sup> This bias is commonly termed the 'Streetlight Effect' characterised by the following anecdote: "A police officer sees a drunken man intently searching the ground near a lamppost and asks him the goal of his quest. The inebriate replies that he is looking for his car keys, and the officer helps for a few minutes without success then he asks whether the man is certain that he dropped the keys near the lamppost. "No," is the reply, "I lost the keys somewhere across the street." "Why look here?" asks the surprised and irritated officer. "The light is much better here," the intoxicated man responds. See <https://quoteinvestigator.com/2013/04/11/better-light/>

<sup>14</sup> See Regulation 19(13) and <https://www.creditombud.org.za/wp-content/uploads/2015/11/NATIONAL-CREDIT-REGULATIONS-INCLUDING-AFFORDABILITY.pdf>

However, the amendments make no reference to credit information sharing with respect to MSMEs. Likewise, the 2016 determination of thresholds referred to by the NCA maintained the revenue threshold for small juristic persons at R1 million despite these having been set in 2006.<sup>15</sup>

### Protection of Personal Information Act (2013)

On the 1st of July 2020, South Africa's first comprehensive data protection legislation came fully into effect; the Protection of Personal Information Act (2013) (PoPIA).<sup>16</sup> The purpose of PoPIA is to protect data subjects from harm arising from misuse of their personal information. All other regulations regarding the protection of personal information must comply with PoPIA.

Unlike data protection regulation in most other countries, PoPIA applies to both natural and juristic persons (i.e. businesses). Personal information is defined as "information relating to an identifiable, living, natural person, and where it is applicable, an identifiable, existing juristic person." The Act therefore has a direct impact on what and how information on businesses can be collected and processed. This includes (but is not limited to):

- Race, gender, age, nationality, marital status, sexual orientation, language.
- Physical or mental health, well-being, disability.
- Conscience, belief, culture.
- Education or the medical, financial, criminal or employment history.
- Identifying number, symbol, e-mail address, physical address, telephone number, location information, or online identifiers.
- Biometric information.
- Personal opinions, views or preferences of the person.
- Correspondence sent by the person that is implicitly or explicitly of a private or confidential nature.
- Views or opinions of another individual about the person.

The Act refers to three parties, which can be natural or juristic persons:<sup>17</sup>

- **The data subject:** the person or entity to whom the information relates.
- **The responsible party:** the person or entity that determines why and how to process information. These might include for-profit companies, non-profit companies, Governments, state agencies and people.
- **The operator:** a person or entity that processes personal information on behalf of the responsible party, for example, a specialist data analyst might develop credit scores for a lender.

There is some confusion regarding the distinction between 'responsible parties' and 'operators'.<sup>18</sup> A major difference between these two is that the responsible party is liable to the data subject and must ensure that all the conditions of lawful processing of personal information are complied with.

In the case of credit bureaus, the Code of Conduct developed by the Credit Bureau Association (CBA) notes that a bureau may in certain circumstances be a responsible party, in others, an operator, and in some cases the bureau may be a joint responsible party.<sup>19</sup> The Code of Conduct states that, as an initial step, before processing personal information, the bureau must determine whether it acts as a responsible party or an operator.

PoPIA is a 'principle based' as opposed to a 'rules based' regulation with implementation measures being left to each organisation. There are eight principles defined within PoPIA that must be addressed when processing personal information. These include accountability, processing limitations, purpose specification, information quality, openness, security, and data subject participation, summarised over the page.

<sup>15</sup> See Determination of Thresholds, Government Gazette, 1 June 2006, [https://www.gov.za/sites/default/files/gcis\\_document/201409/28893.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/28893.pdf)

<sup>16</sup> The Act was first tabled in 2005. In 2013 the President signed off the Act and certain aspects came into force, including those to establish a regulator, however the substantive sections of the Act including how organisations should process information did not come into force. In 2016 the Information Regulator was appointed and in 2019 the final regulations were published.

<sup>17</sup> <https://www.michalsons.com/focus-areas/privacy-and-data-protection/protection-of-personal-information-act-popia>

<sup>18</sup> <https://www.lexology.com/library/detail.aspx?g=2d5e6793-41c7-4566-af7f-6fof472012de>

<sup>19</sup> <https://www.cba.co.za/wp-content/uploads/2018/05/CBA-Code-of-Conduct-PoPIA-FINAL.pdf>

**Figure 3: The eight principles set out in PoPIA**

<b>1</b>	<b>Accountability</b>	The responsible party must ensure that the conditions set out in PoPIA are complied with. Each organization involved in the collection, storing and processing of personal information must identify a person in the organization who ensures compliance.
<b>2</b>	<b>Processing Limitation</b>	Personal information must be processed lawfully and in a manner that does not infringe on the privacy of the data subject. This means that: <ul style="list-style-type: none"> <li>• Personal information may only be processed if it is adequate, relevant and not excessive.</li> <li>• There is consent from the data subject, which is voluntary, specific and informed. The data subject may withdraw consent at any time.</li> <li>• Data is collected directly from the data subject (except in specific circumstances).</li> </ul>
<b>3</b>	<b>Purpose specification</b>	<ul style="list-style-type: none"> <li>• Provides that personal information must be collected for a <i>specific purpose</i> and the data subject must <i>be aware of the purpose</i> for which their personal information was collected.</li> <li>• In addition records of personal information must not be retained for longer than necessary for achieving the purpose it was collected for.</li> </ul>
<b>4</b>	<b>Further processing limitation</b>	Provides that further processing of personal information must be in accordance with the purpose for which it was originally collected.
<b>5</b>	<b>Information quality</b>	The responsible party must take reasonable steps to ensure that the personal information that has been collected is complete, accurate, not misleading and up to date.
<b>6</b>	<b>Openness</b>	The responsible party must take reasonably practical steps to ensure that the data subject is aware of the information being collected, the source from which it is collected, and the purpose for which the information is being collected.
<b>7</b>	<b>Security safeguards</b>	Provides that the responsible party must ensure that the integrity and confidentiality of the personal information in its control is secured through technical and organisational measures to prevent loss or damage and unlawful access to and processing of the information.
<b>8</b>	<b>Data subject participation</b>	Provides that data subjects have the right to request that a responsible party confirm (free of charge) whether it holds their personal information, and he or she may also request a description of such information.

The credit information sharing industry must comply with PoPIA. Based on interviews conducted as part of this research, it does not appear that the principles embodied by PoPIA would prevent the collection and use of alternative data for credit assessment purposes. This is not the intention of the Act and the preamble explicitly notes that 'economic and social progress requires a free flow of personal information'. As long as the eight principles are met, personal data can be collected and processed.

### Promotion of Access to Personal Information Act (2000)

The Promotion of Access to Information Act 2 of (2000) (PAIA) is South Africa's access to information law which enables individuals to gain access to information held by both public and private bodies. It was developed to foster a culture of transparency and accountability. The Act was initially enforced by the South African Human Rights Commission (SAHRC). However, it will now be regulated, along with PoPIA, by the Information Regulator.

The Act identifies key parties as follows:

- **The requester:** a natural or juristic person making an access to information request. A requester also refers to the person who is making the information request on behalf of somebody else.
- **Public or private body:** the institution to whom the information request is made.
- **Information officer:** The Information Officer is the person who has been authorised by the institution in question to handle PAIA requests. For a public body this is the person who is or is acting as the head of the body.

To request information the requester must complete a form and submit it to the Information Officer at the public or private body. The Information Officer will determine if the request should be fulfilled. If the request is justifiable, there may be costs payable by the requester. These include any expenses incurred (for example for photocopies, disks, etc.) and for time taken to access required records. Section 9 of PAIA recognises that the right of access to information is subject to certain justifiable limitations aimed at the reasonable protection of privacy, and commercial confidentiality, amongst others.

#### Box 1: PAIA and MNO data for pre-paid customers

One of the data sharing models explored in Section 6 of this report involves the data subject accessing and sharing their data with relevant third-parties directly. As part of this study the team attempted to access pre-paid mobile services information from two Mobile Network Operators (MNOs). This was done by a member of the research team and a consenting participant with a pre-paid mobile account. One of the MNOs could relatively easily provide an itemised statement for the past 30 days including all numbers dialled as well as purchases of airtime and data. However, accessing data beyond this period requires a PAIA request.

While the two MNOs contacted had specific processes to access information (required by PAIA), the request required numerous emails to various departments to understand what data is available and how this can be requested.

Given the costs involved to access information through PAIA, and the fact that forms must be submitted in hardcopy, it is currently not feasible for individuals to access their data for credit scoring purposes. However, should enough customers request access to their data, MNOs may well develop automated processes to support these data requests as is the standard practise with global platforms such as Google and Facebook.

## THE MSME LANDSCAPE

### 4.1. What is an MSME?

*There is no uniform definition of MSMEs. South Africa's Small Business Act of 1995<sup>20</sup> initially used the number of employees to define MSMEs, with those entities employing fewer than 200 individuals regarded as small businesses. Within this, the Act distinguished between micro enterprises (less than five employees), very small enterprises (five to less than 20 employees), small enterprises (20 to less than 50 employees) and medium enterprises (50 to less than 200 employees). The Act was subsequently amended to include annual revenue thresholds that vary depending on industry ranging from under R5 million for community, social and personal services to under R220 million for the wholesale sector.*

Aside from being somewhat arbitrary, these thresholds are not used consistently in Government. For instance, the South African Revenue Service (SARS) defines a 'small business corporation' (SBC) as having a gross income of under R20 million.<sup>21</sup> In addition, micro businesses with an annual turnover of less than R1 million can register for a simplified tax system called turnover tax.<sup>22</sup> The South African Reserve Bank (SARB) requires banks to report exposure to MSME borrowers, defined as entities that have reported sales of less than R400 million. More recently, the COVID-19 Loan Guarantee Scheme to support small and medium enterprises in South Africa, initiated by the National Treasury, the South African Reserve Bank (SARB) and the Banking Association South Africa (BASA) targets businesses with a turnover of under R300 million. As noted, for the purposes of credit reporting, the NCA's threshold for juristic persons is a turnover of less than R1 million per annum.

Beyond this, publicly available survey data used to characterise the sector does not contain data on business turnover. Analyses of that data rely on the number of employees with business owners employing less than 50 people deemed to be small business owners.

While the sector is by nature complex to characterise, the lack of uniformity with regard to thresholds used by Government and regulatory authorities together with limited available data aligned with these thresholds can make it difficult to conduct a coherent, shared conversation about the sector and interventions required to support its growth and development.

### 4.2. MSMEs in South Africa

The IFC's Unseen Sector Report,<sup>23</sup> published in 2017, used turnover to classify businesses. Using the SARS Small Business Corporation upper limit of R20 million in annual turnover, that report estimates that there were 5.78 million MSMEs in South Africa. Of these, 2.9 million are characterised as survivalist entrepreneurs, two million as informal MSMEs, and the remaining 817 000 (14 percent) are formal MSMEs as shown in the figure overleaf.

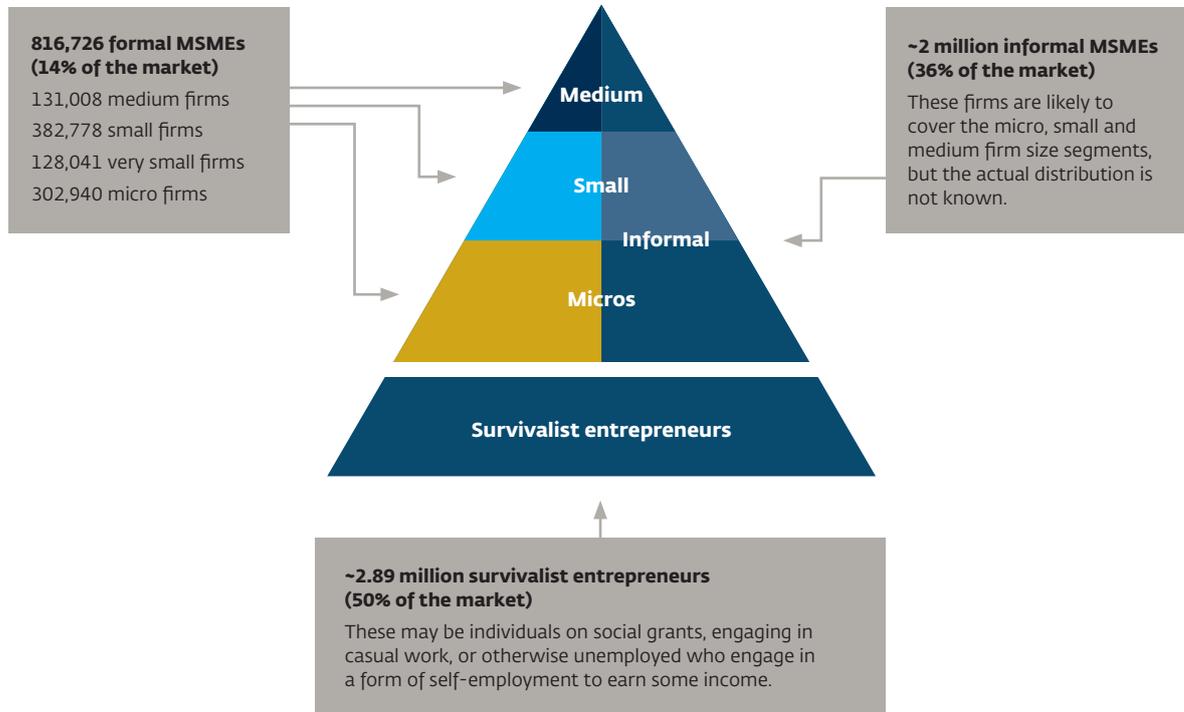
<sup>20</sup> <https://www.gov.za/documents/national-small-business-act>

<sup>21</sup> In 2017, there were 159 433 companies that were assessed as Small Business Corporations (SBCs), which have a special tax dispensation in the form of graduated income tax rates. Of these, just 77 509 (48%) reported positive taxable income.

<sup>22</sup> Turnover tax takes the place of VAT, provisional tax, income tax, capital gains tax, secondary tax on companies and dividends tax.

<sup>23</sup> [https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/resources/msme-opportunity-south-africa](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/msme-opportunity-south-africa)

**Figure 4: Number of MSMEs in South Africa as per the 'Unseen Sector' report<sup>24</sup>**



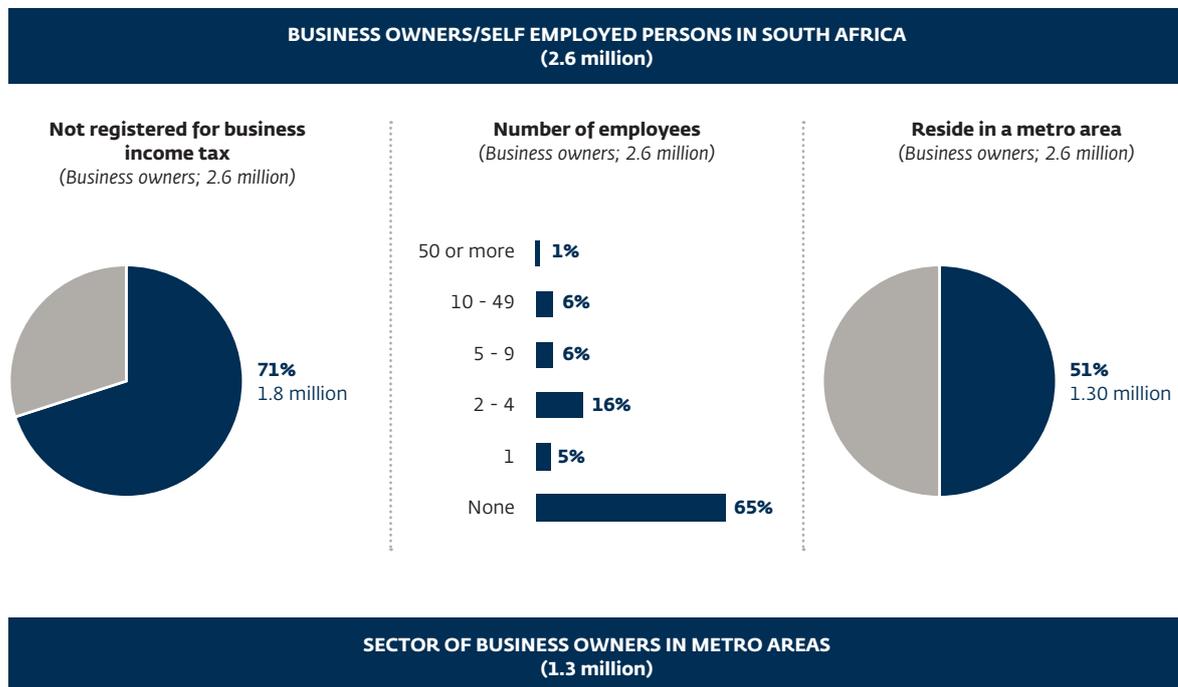
Source: IFC unseen report

In contrast, the Quarterly Labour Force Survey (QLFS) for Quarter 1, 2020 which enumerates individuals rather than business entities, estimates there are 2.6 million business owners. There is no data in the survey to assess whether the business is registered with the Companies and Intellectual Property Commission (CIPC), the regulatory authority tasked with business registration in South Africa. Nevertheless, of these business owners, 1.8 million are not registered for income tax and, aligned with the analysis used in the Unseen Sector Report, are regarded as owning informal businesses. The remaining 800 000 are regarded as owners of formal businesses. The QLFS does not provide data on turnover, but it does provide information on the number of employees. The vast majority of business owners (99%) say they have fewer than 50 employees; 65% say they have no employees.

Other critical dimensions relating to small businesses include their sector and location. According to the QLFS, of business owners with fewer than 50 employees, half reside in metro areas. According to the QLFS, small informal businesses in metro areas are dominated by retail trade (47%). Additional data from the QLFS is summarised in Figure 5 on the following page.

<sup>24</sup> The Unseen Sector, A report on the MSME opportunity in South Africa, IFC, 2018.

**Figure 5: Data on business owners, Quarterly Labour Force Survey Q1 2020**



Source: Statistics South Africa, Quarterly Labour Force Survey Q1, 2020

### 4.3. MSME credit gap

Given the inconsistency of definitions and the number and nature of MSMEs in South Africa, it should not be surprising that data on credit extension in this space is vague. Estimates of the size of the so-called ‘credit gap’ in the sector should therefore be treated with caution. The Unseen Sector Report quantified the gap at US\$24 billion for the informal sector and US\$30 billion for the formal sector. A 2018 study by Finfind for the SA SME Fund put the funding gap at somewhere between R86 and R346 billion per annum (US\$5.15 and US\$20.7 billion)<sup>25</sup> for formal and informal MSMEs.

While the size of the credit gap is contested, there is consensus of significant unmet demand in the sector.

### Box 2: Impact of COVID-19 on the sector

MSMEs, already contending with a struggling economy, have been significantly impacted by the COVID-19 pandemic. At its peak, South Africa was placed under a hard lockdown on the 27th of March 2020 which lasted for over a month. During this lockdown only entities providing services classified as 'essential' were able to operate, including health and security services and those services regarded as necessary for the basic functioning of the economy such as supermarkets, banks and financial services. These measures resulted in a large number of MSMEs being unable to operate or unable to operate at their full capacity.

The SA SMME COVID-19 Impact Report<sup>26</sup> sampled 1,500 small businesses across various sectors and provinces. Over 40% of the businesses surveyed closed due to COVID-19, businesses with a revenue of less than R10,000 per month were the most likely to have closed due to the pandemic.

Various public and private sector schemes have been implemented to provide relief and support the recovery of MSMEs. According to Finfind there are a total of 59 such schemes (27 public sector and 32 private sector schemes). These include:

- **COVID-19 Loan Guarantee Scheme:** Initiated by the National Treasury, the South African Reserve Bank (SARB) and the Banking Association South Africa (BASA). The scheme targets businesses with an annual turnover of under R300 million.
- **Debt Relief Finance Scheme & Business Growth/Resilience Facility:** Administered by the Department of Small Business Development. The R500 million fund targets South African owned MSMEs.
- **Youth Micro Enterprise Relief Fund:** Administered by the National Youth Development Agency, the fund targets youth owned businesses that had been operating for at least six months prior to the lockdown.
- **SA Future Trust:** A public benefit organisation set up by the Oppenheimer family to assist employees of MSME owners who are at risk of losing their jobs or part of their income.

In many cases, application for this support requires evidence of business operations and business health prior to the COVID-19 pandemic, as well as evidence of how the enterprise has been impacted by COVID-19. Many micro and small businesses struggled to obtain this evidence, especially if the business operates informally and largely in cash.

Access to these relief mechanisms appears to have been limited, even for more established MSMEs. According to the SA SMME COVID-19 Impact Report, just under 50% of all the SMMEs in the survey sample applied for relief funding during lockdown. Around half of funding applications were made to Government, 40% to banks and other formal lenders and the balance to family, friends and informal lenders. The rejection rate of those that applied for funding was over 90%. Of the funding applications submitted by businesses that later closed, 99.9% were rejected.

## 4.4. Target market for this study

While the study brief included both individuals and informal MSMEs, the focus of this study is on micro and small businesses, with particular emphasis on businesses operating in township areas in South Africa.

Research by First National Bank estimates that there are between 800 000 and one million businesses operating in townships,<sup>27</sup> areas which are often characterised as poor, with limited infrastructure and low levels of economic activity.

Because many of the businesses in this segment of the market are characterised as 'unseen', access to finance is limited. In addition, micro and small businesses in township areas are thought to have been disproportionately affected by the COVID-19 lockdown.<sup>28</sup>

<sup>26</sup> <https://knowledge.finfind.co.za/the-sa-smme-covid-19-impact-report>

<sup>27</sup> <https://www.biznews.com/sa-investing/2018/11/26/million-businesses-sa-township-life-could-get-easier>

<sup>28</sup> See <https://www.iol.co.za/business-report/economy/boosting-township-economy-for-post-covid-19-growth-50615852>

The research team conducted telephonic interviews with 58 micro and small business owners operating in and around Khayelitsha and Phillipi in Cape Town and Orange Farm and Kanana Park in Johannesburg. The interviews were conducted during Level 5 of the lockdown when face-to-face interviews were not possible. Convenience and snowball sampling were used to identify the business owners, many of whom were recruited through Phaphama,<sup>29</sup> a non-profit organisation that aims to increase the entrepreneurial capacity of small businesses in Khayelitsha and Phillipi. Business owners operating in specific sectors were identified and contact details for additional businesses were provided by the initial interviewees. The sample is not representative but provides useful insight into the operations and data footprints typical of micro and small businesses operating in township areas.

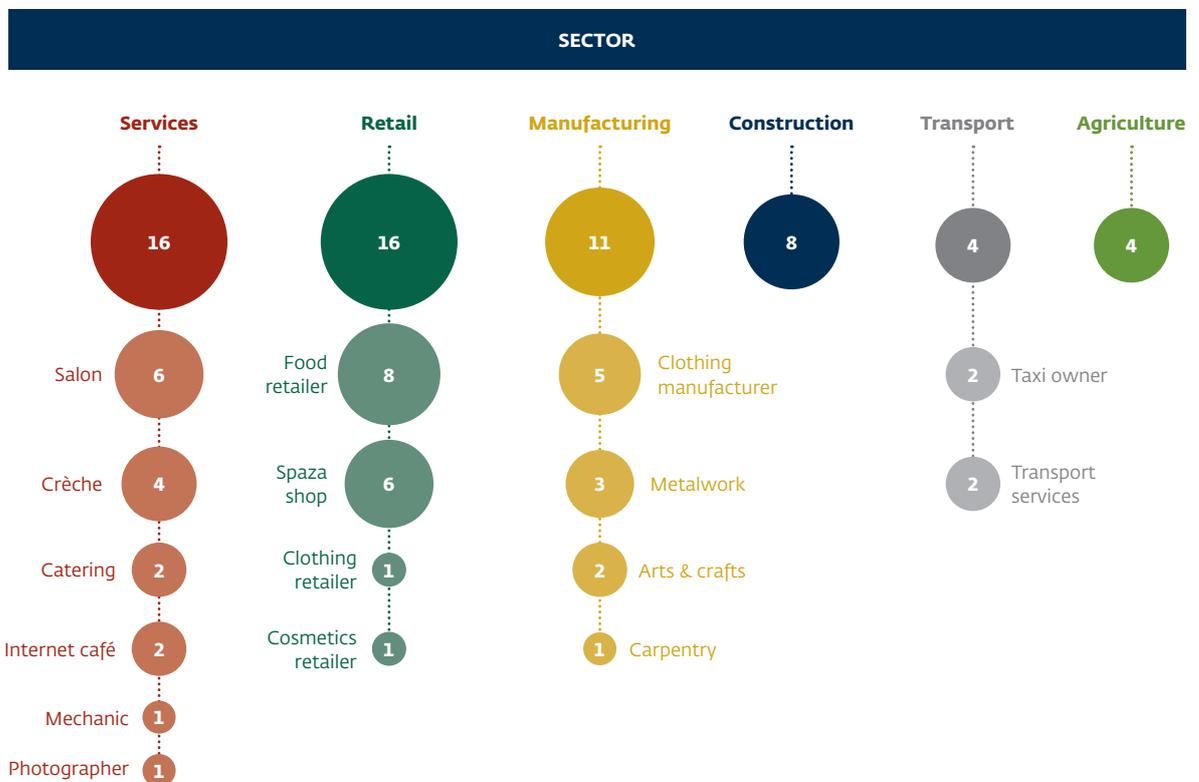
### Demographics

Twenty of the 58 business owners interviewed are registered with business registration agency, the Companies and Intellectual Property Commission (CIPC). We note businesses that work with Phaphama are encouraged to register with the CIPC; eight of the businesses interviewed registered because of their association with the organisation. It is not clear how many are registered with the tax authorities and the Department of Labour.

The MSMEs interviewed spanned a number of industries including services, retail, manufacturing, construction, transport and agriculture. As is common among informal and semi-formal enterprises, a majority (30) operate from residential premises. They are all established businesses with only nine having been in existence for less than two years. Over half of the businesses interviewed had a turnover of under R20,000 per month.

The profile of the MSMEs surveyed is summarised in Figure 6 below. Six of the businesses surveyed were selected for a more in-depth follow-up discussion.

**Figure 6: Profile of MSMEs interviewed**



<sup>29</sup> See <https://phaphamasedi.co.za/>

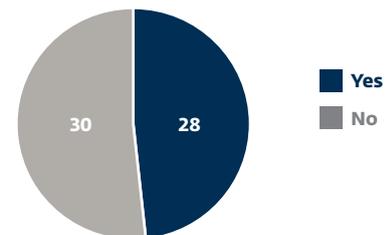
## OPERATING PREMISES



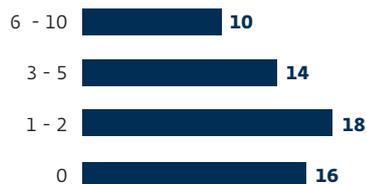
## AVERAGE MONTHLY REVENUE



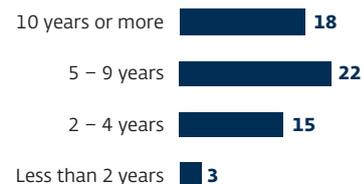
## BUSINESS IS REGISTERED



## NUMBER OF EMPLOYEES



## NUMBER OF YEARS BUSINESS HAS OPERATED

**Credit (and other banking) experiences**

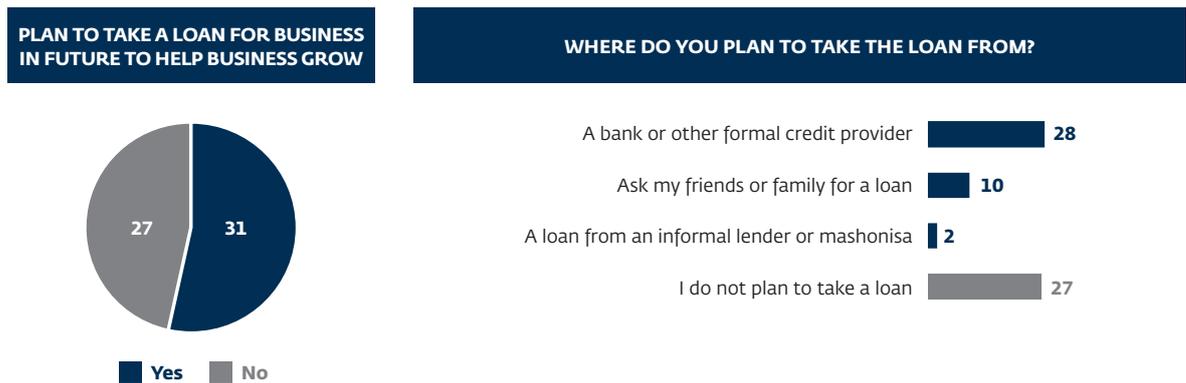
The interviews highlight the contrast between access to consumer credit in South Africa, which is relatively high, and access to business credit for this segment of MSMEs. Only seven of the 58 had ever applied for credit for their business and only four of those applicants were successful. By contrast 30 respondents currently have personal credit facilities either in the form of personal loans or facilities such as clothing retail accounts. In some cases, unsecured personal loans may be used for business purposes.

**Figure 7: Credit usage**



While some of the business owners interviewed as part of this study expressed a reluctance to borrow, there was evidence of a considerable appetite for credit among interviewees. Thirty-five of the 58 said they intend on applying for a business loan in the future.

**Figure 8: Future credit needs**



Many intend to access credit from a bank or other formal credit provider. However, experiences of past interactions with credit providers when applying for business loans were generally not very positive:

*“We went in without any experience of how banks operate and what they look at. We thought we had impressive numbers and would present them, but we had to deal with a lot of objections. One was that we didn’t have many personal assets to attach to the loan as security. So, we ended up making a decision to steer away from banks because we didn’t want to attach our personal assets, like our homes, to the loan”*

– Online bicycle shop owner

Interviewees largely referred to South Africa's 'big five' banks when asked to think about their credit experience. One interviewee spoke about a non-bank loan application (the National Empowerment Fund). It is significant that he found this process 'less tedious and intimidating', and in addition remarked that he received useful business advice during the application process.

The respondents selected from the initial panel for in-depth follow up interviews displayed considerable knowledge not only of their businesses (which was not unexpected) but also the credit landscape and the requirements to access credit granted by major private and public sector lenders. This includes bank statements that provide evidence of cashflow, audited business records, tax records, access to collateral, financial projections and business plans. Given that many do not have access to these documents, few even attempt to access formal credit for their business.

While the focus of this report is on township-based businesses, given the limited access to credit across the spectrum of MSMEs, additional information on more established businesses which have recently tried to access funding via the Finfind online portal has been included.

Finfind<sup>30</sup> is an online solution which matches businesses in need of finance with appropriate funders from a database of over 600 MSME finance products in public and private sectors. Finfind also provides financial information to educate entrepreneurs on common challenges experienced while seeking finance, different types of loan products, terminology and financial readiness.

Finfind requires business owners who are seeking finance to register online using their full name, email address and phone number. Thereafter, the entrepreneur can select one of three finance options; COVID-19 debt relief funding from Government, COVID-19 debt relief funding from the private sector and general business funding. Under business funding, entrepreneurs can choose between different kinds of finance including working capital, asset finance, growth finance, franchise acquisition partner funding and research and innovation funding.

The data provided by the MSME is validated via API with information from CIPC, the Department of Home Affairs and the Department of Labour amongst others through Finfind's partnership with CPB (a credit bureau). The system includes a central document repository for MSMEs to upload and store all company and financial documents required by lenders.

Other required information includes the funding amount required, ID or passport number, company name, registration number, company start date, BEE level, sector, customers, address and website. Additional data is collected on ownership, employees, annual turnover, whether the business is profitable, access to collateral, information on owners and directors, as well as whether the entrepreneur has certain documents required to access funding.

Between January and April 2021 there were 34 465 unique visitors to the Finfind website. A large proportion of visitors access the platform to consume the comprehensive finance education content available to small business owners. Users spent an average of 5 and a half minutes on the website, and just over half accessed the platform via their mobile device.

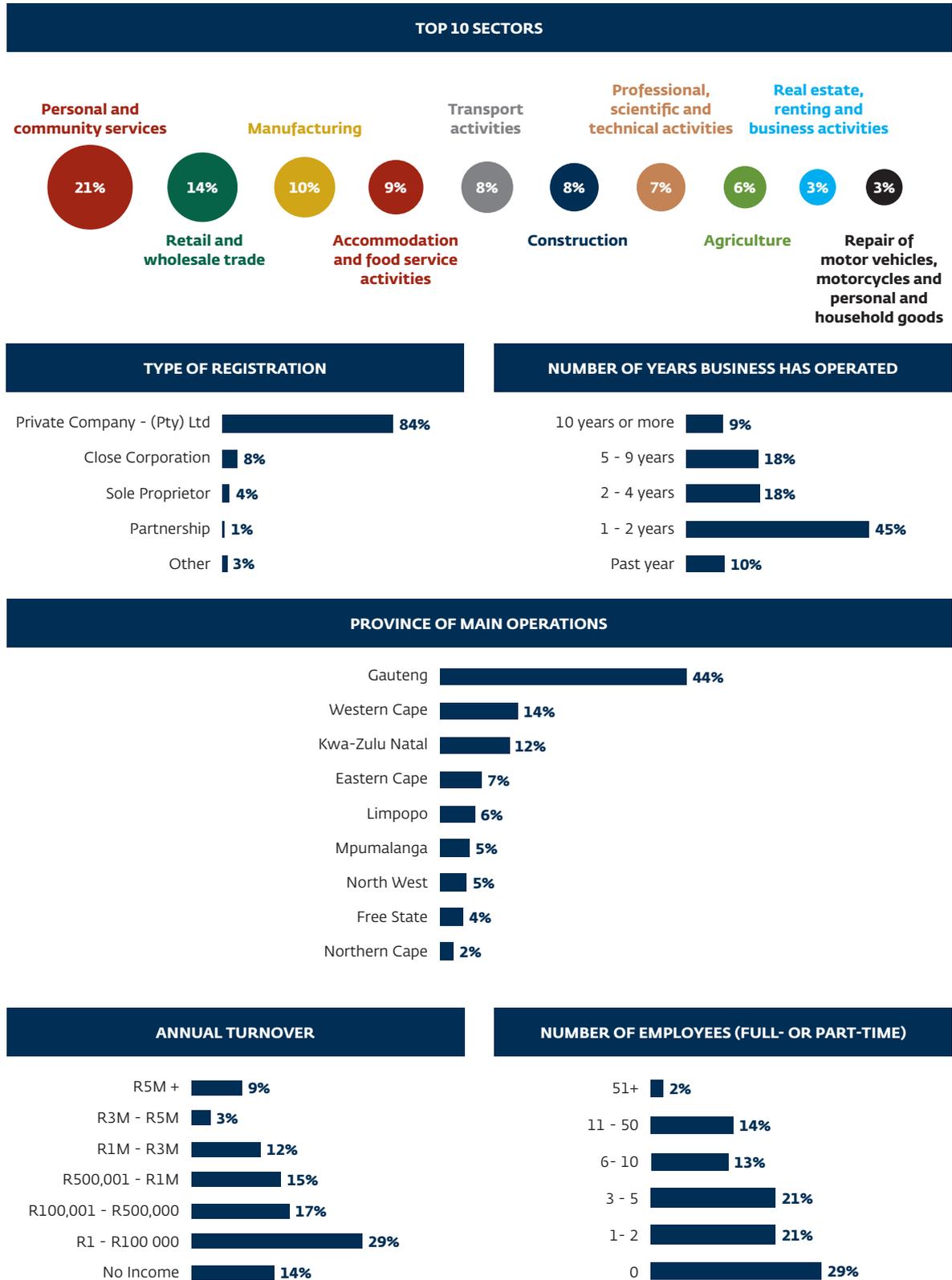
Over the same period, a total of 4 512 businesses completed 5 631 funding requests on the platform. Applicants are largely registered as Private Companies (84%), and the majority have less than five full time employees (79%). Applicants include newly established businesses (10% were established in 2021), as well as more established businesses that have been operating for more than five years (21%). Average annual turnovers vary widely with some businesses having no income (14%) or an annual turnover of R100,000 or less (29%), and around a quarter have an average annual turnover of over R1 million.

Funding amounts requested range from R5,000 to R12 million. The main reasons for applying for funding include the purchase of equipment including vehicles and machinery (25%), to purchase stock (13%), cash flow assistance (12%) and business expansion (10%).

Summary data on Finfind applicants and funding applications made between January and April 2021 is included over the page.

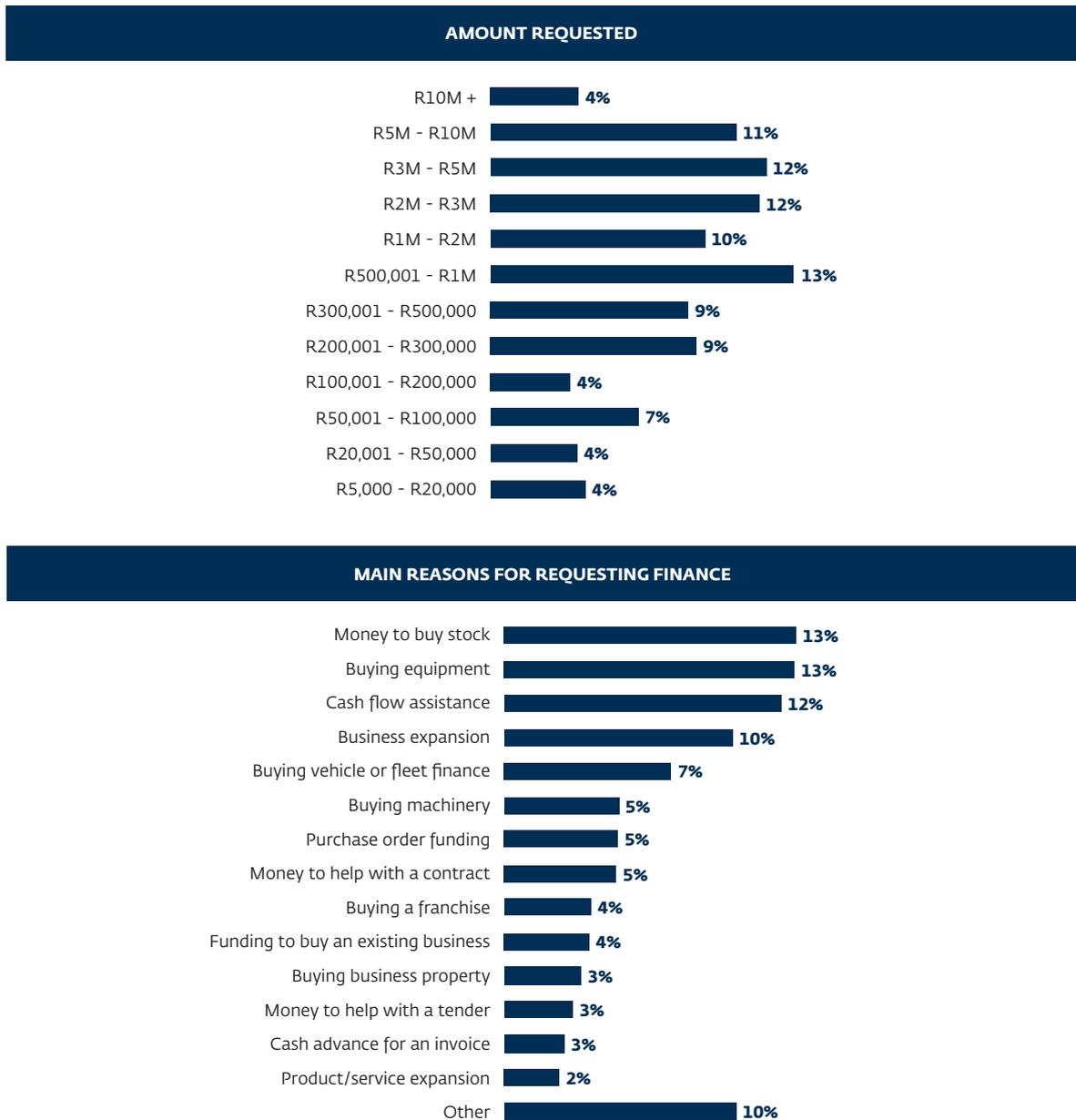
<sup>30</sup> <http://www.finfind.co.za/home>

**Figure 9: Businesses which applied for funding via the Finfind online portal between January and April 2021 (4,512 businesses)**



Source: Finfind

**Figure 10: Funding applications made via the Finfind website between January and April 2021 (5,361 funding applications)**



Source: Finfind

## 5

## ALTERNATIVE DATA OPPORTUNITIES

## 5.1. What is alternative data?

There are numerous definitions of alternative data. Generally, alternative data in credit reporting is regarded as anything that is not traditionally used for assessing credit risk. This data may not necessarily be directly related to credit, but could yield useful insights into the ability or willingness of a potential borrower to repay a loan.

*“Alternative data collects and analyses data on creditworthiness based on information readily available in digitized form but ‘alternative’ to conventional methods such as documented credit history”*

– International Committee on Credit Reporting (ICCR)

*“Alternative data means information not typically found in the consumer’s credit files of the nationwide consumer reporting agencies or customarily provided by consumers as part of applications for credit”*

– Consumer Financial Protection Bureau (CFPB)

For the purposes of this report, the definition follows that of credit bureaus and lenders that see ‘alternative data’ as data they do not currently use or that is not currently shared widely in the bureau environment.

*“Much of the data required by lenders to address the funding gap is not necessarily ‘alternative’ in nature, in the sense that it’s something new and amazing like digital footprints and psychographic data; rather it is simply regular business and financial data that is just not available to lenders. When it comes to small businesses, the data required to do credit assessments is largely “invisible” to lenders, and while it does exist, it isn’t easily accessible like it is for consumer lending through the credit bureaus. The majority of the data required currently sits with the SMME themselves, outside of them, there is no central place for a lender to go to confirm a business’ income, obtain their credit history or gauge loan affordability”*

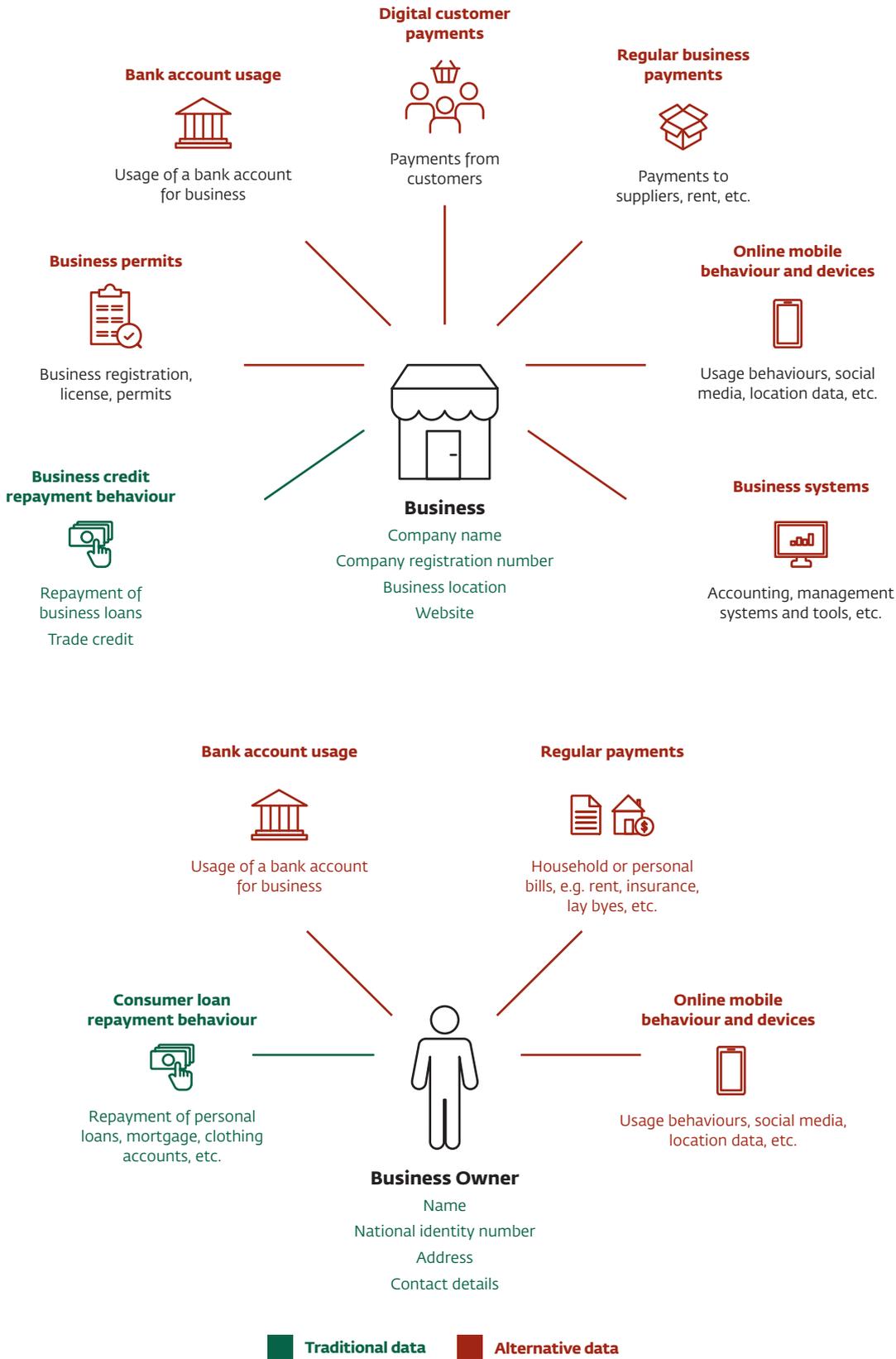
– Darlene Menzies, Founder and Chief Innovation Officer at Finfind

*“Even trade data, which is more traditional, can still be regarded as alternative because there’s no structured programme for sharing it”*

– Credit bureau

To understand the credit risk of an MSME, data linked to the business owner as an individual and data linked to the business can be used. Various potential sources of data were highlighted in interviews; these, along with traditional data sources, are summarised in Figure 11 overleaf.

Figure 11: Potential data points linked to the business and business owner



The various categories of data that can be used to determine creditworthiness are explored below. These data sources, identified by credit bureaus, lenders and through discussions with business owners, are not exhaustive. As the sector innovates and new technologies become available, new data sources and even categories of data may become available for credit scoring.

### 5.1.1. Data linked to a business

Data sources linked to a business include **business credit repayment behaviour**. There is currently limited sharing of information on business loans in South Africa. Some credit bureaus have set up data sharing relationships with suppliers to obtain trade credit information, however this data is shared with specific bureaus and not within the SACRRA data sharing environment.

Many credit bureaus access data on **business registrations** from the Companies and Intellectual Property Commission (CIPC). No credit bureaus interviewed as part of this study are collecting information on business permits and licenses.

**Business bank accounts** hold information on balances as well as payments received into the business account and payments made from the account.

Data on cash flows was identified by lenders and credit bureaus as particularly useful in demonstrating the creditworthiness of MSMEs. Numerous data sources can be used to understand business cash flows including data linked to a **business bank account** and data on **payments received into a business** collected by digital payment solutions.

*“When you’re lending to a small business, cashflow is king. Their ability to repay is absolutely tied to their cashflow. That’s why we’re looking at where we can get alternative data to help us understand an MSMEs cashflow.”*

– Credit bureau

Business owners also make a variety of **regular payments for their businesses** including purchases from suppliers, equipment purchases, and payments to employees. These transactions offer potential data points which could be used to either build or enhance the credit profile of the business.

Payments to suppliers for stock purchases are particularly useful as they can provide an indication of cash flow. There has been significant innovation in supply chain management in key sectors. This has increased the visibility of activity across the supply chain participants and has material implications for credit access.

Businesses can also generate data based on **online and mobile phone usage** including the usage of social media specifically for their business and ecommerce.

Aside from mobile devices, other devices can collect non-financial data to assess behaviour which is credit relevant. One example of this is **telematics**. Telematics is the technology of sending, receiving and storing information using telecommunication devices. Its most common application is vehicle telematics, where a device is installed on a vehicle and collects information on the location, acceleration, braking, cornering, speed, distance, and even cellphone use. This information can be used to determine risk and is currently being used by SA Taxi to extend credit to the minibus taxi industry (see Case Study 6 in Section 6 for more detail on SA Taxi).

**Business systems** including accounting systems and other business management systems and tools can also be useful sources of information especially if the data collected in such systems relates to cashflows. Usage of business systems within the target market was low, however it would be applicable for larger, more established businesses.

Finally, **imagery collected by satellites and drones** can be utilised within certain sectors. For example, within the agricultural sector, imagery can provide an estimate of past and future agriculture income as well as the timing and sources of this income which can be used as inputs into credit assessments<sup>31</sup> (see Case Study 7 on Aerobotics, an agritech business which specialises in farm monitoring processes using aerial data and AI).

Each of these data sources has been assessed in the tables overleaf based on four criteria; access, coverage, quality and impact.

**Access** – considers who holds the data, if the data is currently in the bureau environment - either shared through the SACRRA data sharing environment or collected on a systematic basis by bureaus - and how the data could be potentially accessed and shared.

**Coverage** – considers the number of people or businesses that would be represented by the data. The table contains data, where appropriate on national coverage (i.e. the number of people in South Africa who are represented). This includes coverage for township businesses (based on the survey of 58 business owners); coverage for businesses that have recently tried to access funding via Finfind (between January and April 2021); and data on a sample of 731 businesses that remained open during COVID-19 lockdown, collected by Finfind to assess the impact of COVID-19.<sup>32</sup> Where no data was available, an indicative sample based on interviews with 12 businesses that had recently accessed the Finfind website (either to make a funding request or to access finance content) was used.

**Quality** – considers various dimensions, including whether the data can be **accurately linked** to a specific person or business, **data** accuracy (whether the data source is likely to be correct and devoid of errors), **data completeness** (the extent to which the data is available in its entirety) and **data periodicity** considers the frequency and recency of the data.

**Impact** – considers the predictiveness of the data source for understanding business credit risk.

Each data source is assessed in the tables below.

BUSINESS CREDIT REPAYMENT BEHAVIOUR		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>Lenders.</li> <li>Banks, if payment made via an account.</li> </ul>			<b>National coverage</b>	No data.		
<b>Data access: Shared information environment (credit bureau)</b>	<ul style="list-style-type: none"> <li>There is currently <b>very limited sharing of commercial credit data</b>.</li> <li>In line with the NCA, data on credit granted to small juristic persons should be shared in the bureau environment. Bureaus indicate that it is limited. It is not monitored or reported on.</li> <li>SACRRA has an initiative underway to incorporate commercial credit into the bureau environment – the <b>Business Credit and Risk Information Sharing Initiative (BusCRI)</b>.</li> <li>The initiative was constituted in 2011 and specifically focuses on SMEs. It is unclear when data on commercial credit is expected to be shared more widely.</li> </ul>			<b>Township sample</b>	<p><b>4 of the 58 (7%)</b> business owners interviewed had received formal credit for their business.</p>		
	<b>Data access: Other</b>	<ul style="list-style-type: none"> <li><b>Business access:</b> Businesses can obtain their repayment data directly from lenders.</li> </ul>			<b>Finfind COVID-19 Impact Report sample</b>	<p><b>36% have formal credit</b> included business account overdraft (22%), business credit card (19%), business loan from a bank (9%), business revolving credit (7%).</p>	
				<b>DATA QUALITY</b>			
				<b>Can data be linked to a business?</b>		Commercial credit agreements are in the business' name.	
				<b>Data accuracy</b>		Data is likely <b>highly accurate</b> as it is collected as part of lenders' origination and collection processes.	
				<b>Data completeness</b>		Lenders have sight of <b>all credit repayment information</b> .	
				<b>Data periodicity</b>		Commercial credit repayments are <b>regular</b> payments over the specified term of the loan.	
				<b>IMPACT</b>			
				<b>Predictiveness for business credit risk</b>		Past payment behaviour on business loans is <b>highly predictive</b> of business credit risk.	

<sup>32</sup> See the full Finfind SA SMME COVID-19 Impact Report here: <https://knowledge.finfind.co.za/the-sa-smme-covid-19-impact-report>

TRADE CREDIT		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>		<b>COVERAGE (within shared information environment)</b>					
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Suppliers</b> of business services and inputs.</li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>	<b>Can data be linked to a business?</b>	 Yes, credit agreement is with a specific business.				
<b>Data access: Shared information environment (credit bureau)</b>	<ul style="list-style-type: none"> <li>• Some trade credit data is shared with <b>specific bureaus</b> on a voluntary and reciprocal basis (not through the SACRRA data sharing environment).</li> <li>• Credit bureaus approach large suppliers and set up data sharing relationships. Credit bureaus do not pay for the data but rather provide reports to the supplier on their customers and payment indicators in return for the data.</li> <li>• Information shared with bureaus includes the business name, value of credit, payment terms and how the business is paying relative to those terms.</li> </ul>	<b>Data accuracy</b>	<ul style="list-style-type: none"> <li>• <b>Data provided by suppliers to bureaus</b> is likely to be accurate. Data to support collections is generated and stored in digital systems and can be retrieved and shared.</li> </ul>				
		<b>Data completeness</b>	Because relatively few suppliers provide data to bureaus the view of all supplier payments made by a business may not be complete.				
		<b>Data periodicity</b>	<ul style="list-style-type: none"> <li>• Trade credit from larger suppliers paid on <b>regular</b> basis from 7 days to 120 days.</li> <li>• Credit bureaus receive data on a monthly basis.</li> </ul>				
<b>Data access: Other</b>		<b>IMPACT</b>					
	<ul style="list-style-type: none"> <li>• <b>Business access:</b> Businesses can request their payment information from suppliers directly.</li> <li>• Larger suppliers typically store this data in digital systems and can share this with businesses. This may not be the case for smaller suppliers that may not have good record keeping capabilities.</li> </ul>	<b>Predictiveness for business credit risk</b>	<ul style="list-style-type: none"> <li>• Payment behaviour on trade credit is <b>highly predictive</b> of a businesses credit risk.</li> <li>• Conversations with credit bureaus indicate that this is usually the <b>most important information</b> currently being included in business credit reports given that there is no data on commercial credit lending.</li> </ul>				
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	 <ul style="list-style-type: none"> <li>• <b>7 of the 58 (12%)</b> business owners interviewed say they have received credit from their suppliers.</li> <li>• However, in most cases suppliers tend to be small businesses too, with credit provided on an <b>informal basis</b> rather than through a formal agreement.</li> </ul>						
<b>Finfind COVID-19 Impact Report</b>	 <ul style="list-style-type: none"> <li>• 19% of businesses had unpaid supplier invoices before COVID.</li> </ul>						

BUSINESS REGISTRATION INFORMATION		RATING:				
		ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>		<b>DATA QUALITY</b>				
<b>Data holder</b>	<ul style="list-style-type: none"> <li>Companies and Intellectual Property Commission (CIPC).</li> <li>South African Revenue Services.</li> <li>Business owners.</li> </ul>	<b>Can data be linked to a business?</b>		 Yes, registration is done in a business' name.		
<b>Data access: Shared information environment (credit bureau)</b>	<ul style="list-style-type: none"> <li>The data is not shared within the SACRRA data sharing environment. However, this data is public domain data and bureaus access it from the CIPC.</li> </ul>	<b>Data accuracy</b>		<ul style="list-style-type: none"> <li>Businesses are required to keep their information up to date.</li> <li><b>Some information may be out of date.</b> For example to the process to de-register a company may not be followed when a business closes. However, if annual returns are not paid for two years consecutively the business will be automatically de-registered.</li> </ul>		
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>Data is accessible for free online. Data from the CIPC includes: Enterprise Name, Enterprise Number, Registration Date and the status of the enterprise (if the enterprise is in business), as well as Director details, and Registered and Postal Address of the enterprise.</li> </ul>	<b>Data completeness</b>		Many smaller businesses are not registered.		
<b>COVERAGE</b>		<b>Data periodicity</b>		Registration is done <b>once off</b> with an annual fee payable by the business.		
<b>National coverage</b>	Unclear, however during the 2018/19 financial year over 395,000 new businesses were registered.	<b>IMPACT</b>				
<b>Township sample</b>	<ul style="list-style-type: none"> <li><b>20 out of 58 (34%)</b> businesses interviewed are registered (8 of these businesses are part of an association that encourages registration).</li> </ul> 	<b>Predictiveness for business credit risk</b>		While many lenders require businesses to be registered as a pre-condition of accessing credit, it is <b>unlikely to be predictive of credit risk.</b>		
<b>Businesses that applied for Finfind funding in 2021</b>	<ul style="list-style-type: none"> <li>84% of businesses applying for funding are registered as Private Companies, 8% as Close Corporations, 4% as Sole Proprietors and 1% as Partnerships.</li> </ul> 					

BUSINESS LICENSES AND PERMITS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Licensing authorities</b> (typically at municipal and provincial level).</li> <li>• <b>Business owners.</b></li> </ul>					<p><b>Can data be linked to a business?</b></p> <p> Yes, licensing and permits are in the name of business/business owner.</p>	
<b>Data access: Shared information environment (credit bureau)</b>	<p> <b>Shared information environment:</b> Currently no information is shared in the credit bureau environment and there is no obligation on licensing authorities to share information.</p>					<p><b>Data accuracy</b></p> <p><b>Unclear.</b></p>	
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Business access:</b> Business owners who have licenses and permits can share this information with third parties.</li> <li>• In some cases, municipalities might publish lists of licensed entities (for example, the City of Cape Town publishes data on licensed entities, although this data is not current).</li> </ul>					<p><b>Data completeness</b></p> <p>Many small businesses may operate without the required licenses and permits.</p>	
						<p><b>Data periodicity</b></p> <p>Licenses and permits usually need to be applied for on an <b>annual</b> basis.</p>	
<b>COVERAGE</b>							<b>IMPACT</b>
<b>National coverage</b>	No data.						<p><b>Predictiveness for business credit risk</b></p> <p><b>Unlikely</b> to be predictive of business credit risk.</p>
<b>Township sample</b>	<p> <b>26 out of 58 (45%)</b> businesses interviewed say they have some kind of permit or license from Government (includes CIPC registration).</p>						
<b>Finfind sample</b>	No data.						

BUSINESS BANK ACCOUNT		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	Banks.						
<b>Data access: Shared information environment (credit bureau)</b>	 <ul style="list-style-type: none"> <li>Currently no business bank account information is shared in the credit bureau environment and there is no requirement for banks to share information.</li> </ul>						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li><b>Business access:</b> Bank account holders have access to their bank data and can share directly with third parties.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	<ul style="list-style-type: none"> <li><b>20 out of 58 (34%)</b> businesses interviewed have a <b>business bank account</b>.</li> <li>Many of the businesses interviewed use their personal account for business purposes (51 business owners or 88% have a personal bank account).</li> <li>27 out of 58 (47%) received payments from customers via <b>EFT</b>.</li> <li>10 out of 58 (17%) received payments via <b>e-wallet or other bank cash-send service</b>.</li> <li>While most of the businesses interviewed receive payments in cash, many business owners deposit these funds into a bank account.</li> <li><b>23 out of 58 (40%) deposit MOST of the cash received into a bank account.</b> This is often done to make payments more visible to lenders.</li> </ul>						
<b>Finfind qualitative sample</b>	<ul style="list-style-type: none"> <li>11 of the 12 businesses interviewed have a separate business bank account.</li> </ul>						
<b>DATA QUALITY</b>							
<b>Can data be linked to a business?</b>	 Yes.						
<b>Data accuracy</b>	Data is <b>accurate</b> and will reflect account balances over time, all funds received or deposited into the account, as well as all payments made from the account.						
<b>Data completeness</b>	<ul style="list-style-type: none"> <li>Payments received/made by businesses in <b>cash will not be reflected</b>, although business owners may deposit cash into the account on a regular basis.</li> <li><b>Many businesses may use their personal accounts for the business.</b> In these cases it may be difficult to identify which payments are related to the business.</li> </ul>						
<b>Data periodicity</b>	Payments are received into bank accounts <b>continuously</b> .						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	<ul style="list-style-type: none"> <li>Data on a business' <b>cash flows</b> has been identified by lenders and credit bureaus as <b>highly predictive</b> of credit affordability.</li> <li>Copies of <b>bank statements</b> are a standard requirement for lenders granting loans to businesses.</li> </ul>						

DIGITAL PAYMENT SOLUTIONS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	Banks, credit card companies, and other private payment service providers (e.g. Yoco).					<b>Can data be linked to a business?</b>	Yes.
<b>Data access: Shared information environment (credit bureau)</b>	<p>Currently no payment service provider information is shared in the credit bureau environment and there is no requirement to share information.</p>					<b>Data accuracy</b>	Data generated by payment systems is <b>highly accurate</b> .
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li><b>Business access:</b> In the case of Yoco and other payment service providers, businesses have access to their payments data and can share this directly with third parties.</li> </ul>					<b>Data completeness</b>	<b>Some payments received by businesses may be in cash.</b> Data may therefore not reflect all payments received.
<b>COVERAGE</b>						<b>Data periodicity</b>	Payments are received into business <b>continuously and data is generated continuously</b> .
<b>National coverage</b>	No data.					<b>IMPACT</b>	
<b>Township sample</b>	<ul style="list-style-type: none"> <li>Cash dominates; almost all business owners interviewed said that cash is their MAIN form of payment.</li> <li><b>4 out of 58 (7%)</b> businesses interviewed accept debit and credit card payments.</li> </ul>					<b>Predictiveness for business credit risk</b>	Identified by credit bureaus and lenders as being <b>highly predictive</b> of creditworthiness.
<b>Finfind qualitative sample</b>	<ul style="list-style-type: none"> <li>All 12 businesses accept digital payments including bank transfers (11), online payment via website (5), card payments via POS (4), and mobile payments via QR code (2).</li> <li>11 out of 12 say the MAIN way they are paid is via a digital payment method.</li> </ul>						

PAYMENTS TO SUPPLIERS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Suppliers.</b></li> <li>• Private services offering stock and logistical services (e.g. Zande).</li> <li>• <b>Banks</b>, if payments made via account.</li> </ul>						
<b>Data access: Shared information environment</b>	 No information shared with bureaus.						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Business/business owner access:</b> Businesses may have access to receipts (if issued by supplier). In some cases, suppliers may be able to extract and share historic data on payments made.</li> <li>• Unclear if customers using private stock and logistics services have access to their data.</li> <li>• Where payments are made digitally, business owners may be able to demonstrate a track record of payments using their bank statements.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	 <ul style="list-style-type: none"> <li>• 40 out of 58 (69%) businesses say the <b>MAIN</b> way they pay suppliers is cash.</li> <li>• <b>34 out of 58 (59%)</b> say they <b>keep records</b> of receipts. In many cases there are paper based records.</li> <li>• However, there has been development in the space specifically with regards to supplying spaza shops (see case study 4).</li> </ul>						
<b>Finfind COVID-19 Impact Report</b>	<ul style="list-style-type: none"> <li>• All businesses make payments to suppliers, unclear how these payments are made digitally.</li> </ul>						
<b>DATA QUALITY</b>							
<b>Can data be linked to a business?</b>	<ul style="list-style-type: none"> <li>• Where payment is made by <b>EFT or card</b>, the data can be linked to a business/business owner.</li> <li>• Where cash payments are made via a <b>service such as Zande</b> this can be linked to a specific business.</li> <li>• Some suppliers (specifically wholesalers) have membership cards that link purchases to a specific card. However, cards may be shared and data cannot be reliably linked to one person or business.</li> </ul>						
<b>Data accuracy</b>	<ul style="list-style-type: none"> <li>• <b>Unclear</b> – larger suppliers have accurate data stored digitally that can be retrieved and validated.</li> <li>• Businesses may use smaller suppliers that keep minimal and often paper-based records. Even if suppliers were to provide a record of purchases, it may not be possible to validate this data.</li> </ul>						
<b>Data completeness</b>	Where businesses use multiple suppliers it may be difficult to gather and validate data on all supplier payments made by a business.						
<b>Data periodicity</b>	Payments may be made on a <b>continuous</b> basis.						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	<ul style="list-style-type: none"> <li>• Supplier payments can be <b>predictive of the ability to pay a business loan</b>, particularly in certain sectors such as FMCG.</li> </ul>						

BUSINESS INSURANCE		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Business insurance providers.</b></li> <li>• <b>Banks</b>, if payment made via account.</li> </ul>						
<b>Data access: Shared information environment (credit bureau)</b>	 Data on business insurance payments is currently not shared with the credit bureaus.						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Business/business owner access:</b> Data could be requested directly from service provider.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	No data.						
<b>Finfind qualitative sample</b>	9 of the 12 qualitative interviews have business insurance.						
						<b>DATA QUALITY</b>	
						<b>Can data be linked to a business?</b>	 Yes, billing is in the business or business owner's name.
						<b>Data accuracy</b>	Data is likely <b>accurate</b> as it is collected as part of insurance providers standard business processes.
						<b>Data completeness</b>	Not applicable.
						<b>Data periodicity</b>	Payments are <b>regular</b> , usually monthly.
						<b>IMPACT</b>	
						<b>Predictiveness for business credit risk</b>	<b>Unclear</b> , however, data on consumer insurance payments is reported to credit bureaus and is used to determine consumer credit risk.

BUSINESS RENTAL PAYMENTS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>Commercial landlords, letting agents, property managers.</li> <li><b>Banks</b>, if payment made via account.</li> </ul>						
<b>Data access: Shared information environment (credit bureau)</b>	<p> A niche bureau, TPN, collects rental payment data from landlords and rental agencies. Some commercial/industrial landlords share data with TPN. Data is not shared with other bureaus through a centralised data hub.</p>						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li><b>Business/business owner access:</b> Data could be requested directly from landlords where they keep records.</li> <li>Where businesses make rental payments via an account, data can be accessed from bank statements.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	<p></p> <ul style="list-style-type: none"> <li><b>Coverage is low</b> in the target market as most businesses operate out of residential dwellings as opposed to commercial space.</li> <li><b>4 of the 58 (7%)</b> businesses interviewed operate from commercial premises.</li> </ul>						
<b>Finfind COVID-19 Impact Report sample</b>	<p></p> <ul style="list-style-type: none"> <li><b>69%</b> of businesses made rental payments for a business premises (before COVID).</li> </ul>						
<b>DATA QUALITY</b>							
<b>Can data be linked to a business?</b>	<p> Where a <b>formal lease</b> is in place, this is usually in the business or business owner's name.</p>						
<b>Data accuracy and completeness</b>	While larger, established landlords will have accurate data, smaller landlords may not keep accurate records.						
<b>Data periodicity</b>	Rental payments are <b>regular</b> , usually monthly.						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	<b>Unclear</b> , the data collected by TPN is largely used by property managers, landlords and rental agencies. In the UK, tenants are able to submit their monthly rental repayment data to a credit bureau via open banking specifically to build their credit profiles (see case study 1 for more information).						

BUSINESS SOCIAL MEDIA DATA		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	Social media platforms.						
<b>Data access: Shared information environment (credit bureau)</b>	No information currently shared with credit bureaus.						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Business/business owner access:</b> Businesses can access their own data and metadata.</li> <li>• Publicly available data is accessible to anyone. However this is still regulated in terms of PoPIA and access would require the data subject's consent.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	<b>17 out of 58 (29%)</b> businesses interviewed have a business social media account.						
<b>Finfind COVID-19 Impact Report sample</b>	<b>61%</b> have a Facebook account for the business.						
<b>DATA QUALITY</b>							
<b>Can data be linked to a business?</b>	Business social media accounts are usually set up in the business' name.						
<b>Data accuracy</b>	Information shared or generated on social media platforms is <b>not verified</b> and <b>may not be authentic</b> ; users may game the system and intentionally generate data that lenders regard as useful.						
<b>Data completeness</b>	Not applicable.						
<b>Data periodicity</b>	<ul style="list-style-type: none"> <li>• Data is generated <b>continuously</b> as a user engages with social media.</li> <li>• Information and history can be pulled from social media accounts at a specific point in time.</li> </ul>						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	<b>Unclear</b> , some bureaus are in the process of testing the predictiveness of consumer social media data on consumer credit risk.						

BUSINESS WEBSITE/ECOMMERCE (metadata)		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	Business owner.						
<b>Data access: Shared information environment (credit bureau)</b>	No information currently shared with credit bureaus.						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li><b>Shared information environment:</b></li> <li><b>Business/business owner access:</b> Business owner can access their own data.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	No data.						
<b>Township sample</b>	<b>3 of the 58 (5%)</b> businesses interviewed have a business website.						
<b>Finfind COVID-19 Impact Report sample</b>	<b>56%</b> have a business website. And 18% sell products through a website						
<b>DATA QUALITY</b>							
<b>Can data be linked to a business?</b>	Yes.						
<b>Data accuracy</b>	Information shared or generated on social media platforms is <b>not verified</b> and <b>may not be authentic</b> ; users may game the system and intentionally generate data that lenders regard as useful.						
<b>Data completeness</b>	Not applicable.						
<b>Data periodicity</b>	<b>Continuous</b> - data is generated as the website is developed and used.						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	<b>While data may be useful it is unclear</b> how predictive this data would be.						

TELEMATICS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	Data held within the telematics device.						
<b>Data access: Shared information environment (credit bureau)</b>	No.						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>Data accessed directly from device.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	<ul style="list-style-type: none"> <li>Can be helpful in certain sectors, for example Taxi Finance SA uses telematics to collect data on the taxis used by their clients (see case 5).</li> </ul>						
<b>Township sample</b>	No data.						
<b>Finfind sample</b>	No data.						
<b>DATA QUALITY</b>							
<b>Can data be linked to a business?</b>	Data is linked to a specific device.						
<b>Data accuracy</b>	Data is <b>highly accurate</b> .						
<b>Data completeness</b>	Not applicable.						
<b>Data periodicity</b>	Data is usually collected on a <b>continuous</b> basis.						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	If the data collected is associated with cashflows this <b>can be highly predictive</b> and very valuable for credit assessment.						



### 5.1.2. Data linked to a business owner

Data linked to business owners includes **consumer loan repayment behaviour**, which is already shared widely within the bureau environment.

**Personal bank accounts** include data on balance as well as payments made into the account and paid from the account. A three-month bank statement is a standard requirement when applying for consumer credit. This is typically provided in hard copy format.

**Regular payments** can also indicate an ability and willingness to repay credit. These include payments related to the household or personal payments such as payments for insurance, paid television, rental payments, post-paid and pre-paid mobile payments, municipal account payments and lay-bys and electricity.<sup>33</sup> Some service providers currently share payment information with credit bureaus. This includes paid television services, some insurance providers, and mobile network operators that share payment information on post-paid mobile payments.

For many, the term 'alternative data' immediately brings to mind data that is generated through the **use of mobile phones and personal computers**. This includes data and metadata derived from internet, social media and app usage as well as location data.

These data sources have been assessed in the tables below.

<b>CONSUMER CREDIT REPAYMENT BEHAVIOUR</b>		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>			●	●	●	●	●
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Lender.</b></li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>		<b>DATA QUALITY</b>				
<b>Data access: Shared information environment (credit bureau)</b>	<p style="text-align: center;">✓</p> <p>Yes, all consumer credit providers are obligated to share information on consumer credit agreements with credit bureaus.</p>		<b>Can data be linked to a person</b>	<p style="text-align: center;">✓</p> <p>Yes, credit bureaus include national ID number, name and contact details.</p>			
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access to data:</b> Consumers can access their data via the credit bureaus. As per the NCA, consumers are entitled to one free credit report per year from each of the bureaus. Consumers can also access their information directly from lenders.</li> </ul>		<b>Data accuracy</b>	<ul style="list-style-type: none"> <li>• Data is <b>highly accurate</b> as it is generated as part of lenders' origination and collection processes.</li> <li>• Data is shared with <b>SACRRA</b> using a specified process and layout to <b>ensure data accuracy.</b></li> </ul>			
<b>COVERAGE</b>			<b>Data completeness</b>	<ul style="list-style-type: none"> <li>• <b>High</b>, both positive and negative indicators are shared with credit bureaus.</li> </ul>			
<b>National coverage</b>	 <p><b>60%</b> of adults are credit active.</p>		<b>Data periodicity</b>	<ul style="list-style-type: none"> <li>• Most consumer credit instalments are paid on <b>monthly</b> basis or more <b>frequently.</b></li> <li>• Lenders are obliged to <b>share consumer credit</b> information with bureaus <b>monthly</b> (or daily for new and closed accounts).</li> </ul>			
<b>Township sample</b>	 <p><b>30 out of 58 (52%)</b> business owners interviewed report having open personal credit accounts.</p>		<b>IMPACT</b>				
<b>Finfind qualitative sample</b>	<p>9 of the 12 business owners interviewed currently have open personal credit accounts including credit card (8), retail account (4), mortgage (4), unsecured loan (3).</p>		<b>Predictiveness for business credit risk</b>	<p>It is <b>unclear</b> whether a track record on consumer credit is predictive of business loan performance.</p>			

<sup>33</sup> Pre-paid electricity payments are a household expense and so cannot be reliably linked to a specific person when paid in cash. For this reason data linked to pre-paid electricity metres has not been included in the tables below. Regular electricity payments made via an account will however be visible and can be reliable linked back to the account holder.

PERSONAL BANK ACCOUNT		RATING:				
		ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>		<b>DATA QUALITY</b>				
<b>Data holder</b>	• <b>Banks.</b>	<b>Can data be linked to a person?</b>	 Yes, banks require proof of identity to open an account.			
<b>Data access: Shared information environment (credit bureau)</b>	 No personal bank account information is shared in the credit bureau environment.	<b>Data accuracy</b>	Data is <b>highly accurate</b> and will reflect account balances over time, all funds received or deposited into the account, as well as all payments made from the account. This includes regular payments for services such as insurance, paid TV, rent, mobile services, municipal bill, etc.			
<b>Data access: Other</b>	• <b>Individual access:</b> Banking customers can request verified copies of bank statements. This is a standard requirement for access to consumer credit. This is typically shared in hard copy format.	<b>Data completeness</b>	<ul style="list-style-type: none"> <li>Reflects data on all banking transactions but <b>not cash transactions</b>.</li> <li>In some cases transactions <b>may not be clearly tagged</b> making it difficult for external parties to determine what the transaction is for.</li> </ul>			
<b>COVERAGE</b>		<b>Data periodicity</b>	Data generated continuously as account is used.			
<b>National coverage</b>	 <b>80%</b> of adults have a bank account.	<b>IMPACT</b>				
<b>Township sample</b>	 <b>51 out of 58 (88%)</b> business owners interviewed have a personal bank account in their name.	<b>Predictiveness for business credit risk</b>	In some cases, business owners might use personal bank accounts for business purposes. It can be difficult for lenders to identify business transactions specifically. With regard to other regular banking payments made by individuals that are not specifically associated with the business, it is unclear whether a track record of regular payments is a good indicator of business loan performance.			
<b>Finfind qualitative sample</b>	All 12 of the business owners interviewed have a personal bank account.					

PAYMENTS FOR TV SERVICES		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>			<b>DATA QUALITY</b>				
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>TV service providers.</b></li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>		<b>Can data be linked to a person?</b>	Yes, billing is in an individual's name.			
<b>Data access: Shared information environment (credit bureau)</b>	Yes, service providers share data with credit bureaus voluntarily.		<b>Data accuracy</b>	Data is likely to be <b>accurate</b> as it is collected as part of service providers origination and billing process.			
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> data can be accessed from credit bureaus or from service provider directly.</li> </ul>		<b>Data completeness</b>	Data reported to bureaus includes <b>positive and negative</b> data.			
<b>COVERAGE</b>			<b>Data periodicity</b>	<ul style="list-style-type: none"> <li>• Payments are <b>regular</b>, usually monthly.</li> <li>• Data shared with bureaus on a <b>monthly</b> basis.</li> </ul>			
<b>National coverage</b>	<b>44%</b> of households have a paid TV service.		<b>IMPACT</b>				
<b>Township sample</b>	<b>43 out of 58 (74%)</b> business owners interviewed have a paid TV service in their name.		<b>Predictiveness for business credit risk</b>	While a personal payment track record is currently used to assess consumer credit risk, it is <b>unclear</b> whether a track record on regular personal payments is a good indicator of business loan performance.			
<b>Finfind qualitative sample</b>	7 of the 12 business owners interviewed use paid TV services.						

INSURANCE PAYMENTS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>			<b>DATA QUALITY</b>				
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Insurance providers</b></li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>		<b>Can data be linked to a person?</b>	Yes, banks require proof of identity to open an account.			
<b>Data access: Shared information environment (credit bureau)</b>	Some insurance providers voluntarily share payment data with bureaus.		<b>Data accuracy</b>	Data is likely to be <b>accurate</b> as it is collected as part of service providers standard maintenance processes.			
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> data can be accessed from credit bureaus or from service provider directly.</li> </ul>		<b>Data completeness</b>	Data reported to bureaus includes <b>positive and negative</b> data, but <b>not all insurers</b> report data for all types of insurance contracts.			
<b>COVERAGE</b>			<b>Data periodicity</b>	<ul style="list-style-type: none"> <li>• Payments are <b>regular</b>, usually monthly.</li> <li>• Data shared with bureaus on a <b>monthly</b> basis.</li> </ul>			
<b>National coverage</b>	<b>61%</b> of adults have personal insurance. The majority make use of funeral insurance (56%) some of which may be through a group scheme.		<b>IMPACT</b>				
<b>Township sample</b>	No data.		<b>Predictiveness for business credit risk</b>	While a personal payment track record is currently used to assess consumer credit risk, it is <b>unclear</b> whether a track record on regular personal payments is a good indicator of business loan performance.			
<b>Finfind qualitative sample</b>	10 of the 12 business owners interviewed have personal insurance products.						



PRE-PAID MOBILE SERVICES		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Mobile Network Operators.</b></li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>						
<b>Data access: Shared information environment (credit bureau)</b>	<p><b>X</b> No, pre-paid account information is not shared with credit bureaus.</p>						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> In line with the <b>Promotion of Access to Information Act (PAIA)</b>, accessing personal information from MNOs on a prepaid account is technically possible. However the process is not automated, requires customers to submit application forms in hard copy and is associated with a cost.</li> <li>• In addition, MNOs must adhere to the <b>Regulation of Interception of Communications and Communication-Related Information Act (RICA)</b>. MNOs may only provide information on the registered customer. Given that RICA processes are often not adhered to, there is frequently a mismatch between the registered customer and the actual user. Users may therefore be unable to access their data.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	 <p><b>78%</b> of adults have a pre-paid account.</p>						
<b>Township sample</b>	 <p><b>52 out of 58 (90%)</b> business owners interviewed have a pre-paid account.</p>						
<b>Finfind qualitative sample</b>	4 of the 12 business owners have pre-paid mobile accounts.						
			<b>DATA QUALITY</b>				
			<b>Can data be linked to a person?</b>	<p><b>✓</b></p> <ul style="list-style-type: none"> <li>• As part of the Government's crime prevention efforts, SIM cards must be registered in compliance with RICA. However, RICA processes are not enforced and <b>SIM cards are often not registered in the name of the actual mobile phone user.</b></li> <li>• Many lenders and bureaus do not think pre-paid SIM cards can be accurately linked a person.</li> </ul>			
			<b>Data accuracy</b>	MNOs are likely to have <b>accurate data linked to a specific SIM card</b> (as noted this data may not be accurately linked to a specific person).			
			<b>Data completeness</b>	<b>Complete</b> at a SIM card level (as noted this data may not be accurately linked to a specific person).			
			<b>Data periodicity</b>	Pre-paid airtime purchases are <b>irregular</b> , and depend on the user.			
			<b>IMPACT</b>				
			<b>Predictiveness for business credit risk</b>	<ul style="list-style-type: none"> <li>• Lenders indicate that <b>persistency of a mobile number is a useful indicator of credit risk</b> as people tend to change their phone number if they are avoiding credit or other service providers.</li> <li>• In addition, lenders believe recharge/usage data would be predictive of <b>affordability</b> where the SIM can be linked to a user.</li> </ul>			

RENTAL PAYMENTS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Landlords, letting agents, property managers.</b></li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>						
<b>Data access: Shared information environment (credit bureau)</b>	<p>✓ A niche bureau, TPN, collects rental payment data from landlords and rental agencies. Some landlords share data with TPN. Data is not shared with other bureaus through a centralised data hub.</p>						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> Some landlords may be able to provide verified records of rental payments to their tenants.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	<p>27% of households rent their dwellings.</p> 						
<b>Township sample</b>	<p>18 out of 58 (31%) business owners interviewed have a rental contract in their name.</p> 						
<b>Finfind sample</b>	No data.						
			<b>DATA QUALITY</b>				
			<b>Can data be linked to a person?</b>	<p>✓ Yes, rental contract is usually in an individual's name.</p>			
			<b>Data accuracy</b>	Where data is available it is likely to be <b>accurate</b> .			
			<b>Data completeness</b>	<ul style="list-style-type: none"> <li>• Not clear whether landlords who report to TPN provide both positive and negative data.</li> <li>• Many rental contracts <b>may not be formalised</b> and data may not be.</li> </ul>			
			<b>Data periodicity</b>	Rental payments are regular, usually <b>monthly</b> .			
			<b>IMPACT</b>				
			<b>Predictiveness for business credit risk</b>	While a personal payment track record is currently used to assess consumer credit risk, it is <b>unclear</b> whether a track record on regular personal payments is a good indicator of business loan performance.			



LAY-BY PAYMENTS		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>			<b>DATA QUALITY</b>				
<b>Data holder</b>	<ul style="list-style-type: none"> <li>• <b>Retailers.</b></li> <li>• <b>Banks</b>, if payment made via an account.</li> </ul>		<b>Can data be linked to a person?</b>	Yes, lay-bys are created for a specific person.			
<b>Data access: Shared information environment (credit bureau)</b>	There is no requirement for retailers to share this information.		<b>Data accuracy</b>	Retailers are likely to keep <b>accurate</b> records to track lay-by payments.			
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> Consumers may be able to request payment history from retailers where this is retained.</li> </ul>		<b>Data completeness</b>	<b>Unclear</b> if payment history information is stored once lay-by has been fully paid-up.			
<b>COVERAGE</b>			<b>Data periodicity</b>	Lay-by payments are usually <b>regular</b> and made on a monthly basis.			
<b>National coverage</b>	<b>18%</b> of adults have used a lay-by in the past 12 months (FinScope 2019).		<b>IMPACT</b>				
<b>Township sample</b>	<b>14 out of 58 (24%)</b> business owners interviewed had an open lay-by account.		<b>Predictiveness for business credit risk</b>	It is <b>unclear</b> whether a track record of lay-by payments is a good indicator of business loan performance.			
<b>Finfind qualitative sample</b>	No data.						

SMARTPHONE METADATA		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>			<b>DATA QUALITY</b>				
<b>Data holder</b>	Data sits on the <b>user's mobile phone.</b>		<b>Can data be linked to a person?</b>	<ul style="list-style-type: none"> <li>• Data is linked to a specific mobile device.</li> <li>• Where a mobile device is shared by multiple people the data cannot be accurately linked to a single person.</li> </ul>			
<b>Data access: Shared information environment (credit bureau)</b>	No, however some bureaus are testing the predictiveness of the data.		<b>Data accuracy</b>	Data is <b>highly accurate</b> as it is collected directly from a user's phone.			
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> Smartphone metadata can be accessed by downloading an app, such as the CredoLab's app, onto a smartphone (see case study 2).</li> </ul>		<b>Data completeness</b>	Apps typically can access <b>all historic metadata</b> collected by that device.			
<b>COVERAGE</b>			<b>Data periodicity</b>	Apps typically collect the data once off, upon submission of a loan application.			
<b>National coverage</b>	<b>27%</b> of adults own a smartphone.		<b>IMPACT</b>				
<b>Township sample</b>	<b>45 out of 58 (78%)</b> of business owners interviewed have a smartphone.		<b>Predictiveness for business credit risk</b>	CredoLab and bureaus noted that the score generated by mobile phone metadata is not the only parameter used in making credit decisions. However, <b>when score is used in conjunction with other traditional payments data, it enhances credit predictiveness.</b>			
<b>Finfind qualitative sample</b>	All 12 business owners interviewed have smartphones.						

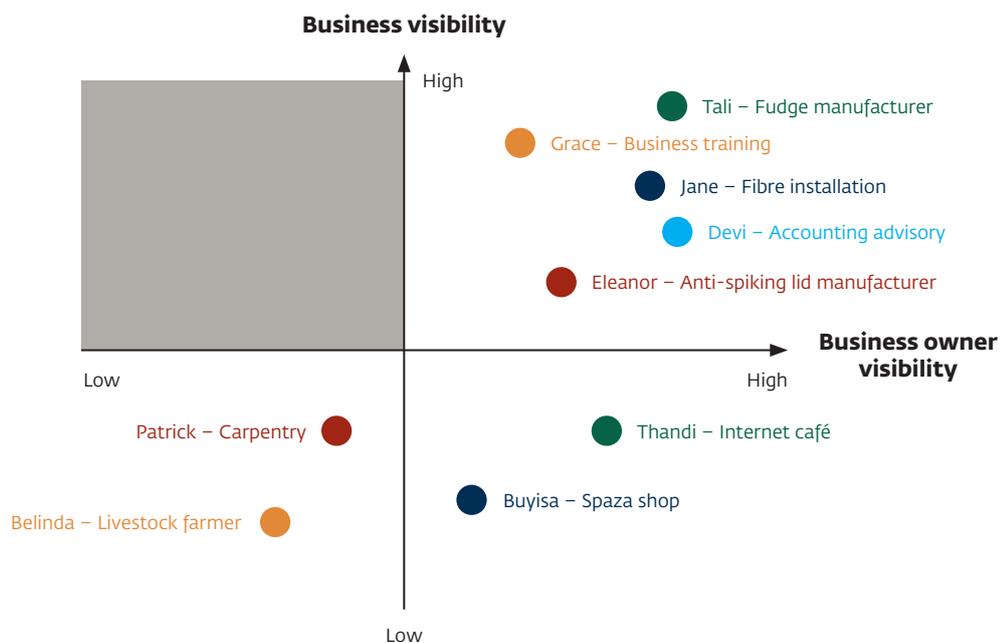
LOCATION DATA		RATING:				
		ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
ACCESS		DATA QUALITY				
<b>Data holder</b>	<b>Various apps</b> (e.g. Google Suite, banking, messaging and others) have built in capability to record location information via the mobile phone's built-in GPS unit.	<b>Can data be linked to a person?</b>		<ul style="list-style-type: none"> <li>The data can be linked to a specific device.</li> <li>Where a mobile device is shared by multiple people the data cannot be accurately linked to a single person.</li> </ul>		
<b>Data access: Shared information environment (credit bureau)</b>	<p>Bureaus currently report on consumer address based on last known address recorded by credit providers and other data providers. This is often outdated. No GPS or other location data is shared.</p>	<b>Data accuracy</b>		Data accuracy is <b>high</b> as it can be pulled directly from a user's mobile phone.		
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li><b>Shared information environment: Individual access:</b> Depending on settings users can access their own data from applications.</li> <li>Users can also record and send their location to a third party.</li> </ul>	<b>Data completeness</b>		<ul style="list-style-type: none"> <li><b>Unclear.</b> In some cases apps will require users to change settings to retain this data. Complete data may therefore not be available.</li> <li>If users do not carry their smartphones at all times, data will be incomplete.</li> </ul>		
COVERAGE		IMPACT				
<b>National coverage</b>	<p><b>27%</b> of adults own a smartphone.</p>	<b>Data periodicity</b>		Data is generated <b>continuously</b> .		
<b>Township sample</b>	<p><b>45 out of 58 (78%)</b> of business owners interviewed have a smartphone.</p>	<b>Impact</b>		<b>Predictiveness for business credit risk</b> <p>Interviews with credit providers indicated that having location information on residential premises and work or business location <b>helps with risk management.</b></p>		
<b>Finfind qualitative sample</b>	All 12 business owners interviewed have smartphones.					

PERSONAL SOCIAL MEDIA USAGE		RATING:	ACCESS	COVERAGE (Township sample)	COVERAGE (Finfind sample)	DATA QUALITY	IMPACT
<b>ACCESS</b>							
<b>Data holder</b>	Social media platforms.						
<b>Data access: Shared information environment (credit bureau)</b>	 Not currently shared.						
<b>Data access: Other</b>	<ul style="list-style-type: none"> <li>• <b>Individual access:</b> Users can access their own data archives.</li> <li>• Publicly available data is accessible to anyone although this is regulated in terms of <b>POPIA</b>. The data subject's consent is required to access and use this data.</li> </ul>						
<b>COVERAGE</b>							
<b>National coverage</b>	 <b>38%</b> of adults use social media platforms.						
<b>Township sample</b>	 <b>45 out of 58 (78%)</b> business owners interviewed have personal social media accounts.						
<b>Finfind sample</b>	No data.						
<b>DATA QUALITY</b>							
<b>Can data be linked to a person?</b>	 While social media platforms typically use two factor authentication prior to providing access to data, mechanisms used <b>to verify identity of users</b> during registration are not entirely secure, and there are no restrictions on creating multiple accounts.						
<b>Data accuracy</b>	Information shared or generated on social media platforms is <b>not verified</b> and <b>may not be authentic</b> ; users may game the system and intentionally generate data that lenders regard as useful.						
<b>Data completeness</b>	Not applicable.						
<b>Data periodicity</b>	<ul style="list-style-type: none"> <li>• Data is generated as a user engages with social media.</li> <li>• Information and history can be pulled from social media accounts at a specific point in time.</li> </ul>						
<b>IMPACT</b>							
<b>Predictiveness for business credit risk</b>	<b>Unclear</b> , some lenders and bureaus are in the process of testing the predictiveness of social media data.						

## 5.2. MSME data footprints

While a detailed data footprint survey of MSMEs is beyond the scope of this study, a small sample of township businesses as well as businesses that had recently accessed the Finfind website, either to make a funding request or to access content, were interviewed to provide a picture of the variation in the depth of data available across the MSME market. These businesses can be plotted on a matrix where the vertical axis indicates the level of visibility with respect to the business entity and the horizontal axis indicates the levels of visibility with respect to the individual business owner. Businesses from the township sample that have been profiled include Belinda, a livestock farmer, Patrick who runs a carpentry business, Buyisa who owns a spaza shop (small retail store) and Thandi who owns an internet café. These businesses tend to have low business visibility and varying levels of business owner visibility. Five businesses that had recently visited the Finfind website were interviewed including Eleanor, who runs a business which manufactures tamper-proof lids, Devi who owns an accounting advisory, Jane who runs a fibre installation business, Grace who offers business training services and Tali who manufactures fudge. These businesses fall in the top right quadrant – they have higher-levels of business visibility and business owner visibility. The nine businesses have been plotted on the matrix below.

**Figure 12: The visibility matrix**



Each of these businesses has been profiled below starting with the business with the least visibility. These detailed profiles demonstrate the very different data challenges that apply to different business segments. In the case of businesses that have low visibility, the challenge is to encourage or enable business owners to adopt solutions that create leverageable data, particularly cash flow data. For those with data visibility the challenge is making this data visible to lenders.



### Livestock farmer – Sells chickens to restaurants

Monthly revenue: <R20,000 Per month	Number of Employees: None	Age of business: 2 years	Business registration: No
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**Belinda** runs a chicken farm. She uses a piece of land provided by another farmer rent-free. Before COVID-19 she had 800 chickens which she sells to restaurants. Her business is currently unregistered; however she would like to register as she thinks this will help her attract larger businesses as customers.

#### Growth plans

Currently Belinda farms broiler chickens for meat. She would like to purchase 'layers' or chickens that lay eggs so that she can sell eggs. She would also like to expand into additional livestock. To do this she needs to find a larger piece of land. She would also like to purchase a vehicle.

*"I want to be successful. I don't only want to only work with these broiler chickens. I also want to work with layers for eggs, sheep, pigs and goats."*

#### Credit experience

While Belinda has personal credit accounts, she has never applied for a business loan before. Belinda says she *"does not really like credit"*. However, she has thought about getting a loan to help purchase 'layers'.

*"I calculated that I can pay back R50,000 loan in 12 months if I use the credit to buy chickens that lay eggs."*

DATA FOOTPRINT	
 <b>Open credit</b>	Belinda has personal credit including retail accounts and an unsecured loan.
 <b>Regular payments</b>	She does not have any regular payments in her name. She makes use of a pre-paid SIM card, she usually buys airtime three times a week.
 <b>Mobile phone and online usage</b>	Belinda has a smartphone, however she does not use it to make payments and does not use a banking app as she prefers using an ATM. She makes use of social media personally but does not have any social media accounts for her business.
 <b>Bank account</b>	Belinda has a personal bank account which she uses for her business.
 <b>Receiving payments into business</b>	Belinda currently receives cash payments and EFT payments. She doesn't like to carry cash because it's not safe, and she ends up spending it unnecessarily. Belinda is interested in using a card machine.  <i>"My customers pay me cash, but when I get more chickens I want them to come with a card. That is my plan, I want to use the machine. Sometimes a lot of customers come at once, like ten customers, and give me cash which is not safe for me. Sometimes I would carry R10,000 cash a day. The machine will be safer, so when my business gets bigger that is why I want a machine."</i>
 <b>Suppliers</b>	Belinda knows her suppliers well and buys chicks from hatcheries in her area. She is happy to use her debit card for larger orders and cash for smaller orders. She has never received credit from her suppliers.  <i>"When I last visited my supplier they said "Hey, it's been a long time!" They know my name and they know me."</i>
 <b>Record keeping</b>	Belinda keeps business records in a book to help understand her profit and loss, the age of her chickens, how much feed she has and which orders she needs to deliver on.



### Carpentry – Manufactures wardrobes and cabinets

Monthly revenue: R80,000 Per month	Number of Employees: 3 (casual)	Age of business: 4 years	Business registration: No
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**Patrick** makes wardrobes and cabinets for people’s homes. He runs his business from his home and has three casual employees he hires on a project basis. He is not registered, but he plans on registering in the future.

#### Growth plans

Patrick has found larger premises he would like to move into. Once he has more space, he plans on getting some new machinery.

*“In a month with a new machine I could make an extra R32,000 – R40,000 because I’ll be making a lot more product than I am doing now.”*

#### Credit experience

When Patrick was starting his business he tried to get a R100,000 loan from a large bank to purchase machinery. At the time he was working in a hotel and earning a salary. However, his application was unsuccessful. He ended up buying the machinery second hand with savings.

Despite being previously unsuccessful he plans on applying for a loan again to buy new machinery as he sees this as vital to his business growth. He would like to borrow R150,000. He thinks he could pay R8,000 back per month.

DATA FOOTPRINT	
<b>Open credit</b>	Patrick has personal credit – an open account at a clothing retailer.
<b>Regular payments</b>	Has a post-paid mobile contract that he pays on a monthly basis. He also has insurance on his machinery used in his business.
<b>Mobile phone and online usage</b>	Patrick has a smart phone and uses personal social media and has a Facebook page for his business. <i>“I find most of my customers through my business Facebook account where I post photos of my business.”</i>
<b>Bank account</b>	Has a personal bank account that he also uses for his business. He accesses his account mostly via his mobile phone using a banking app.
<b>Receiving payments into business</b>	Patrick prefers his customers to pay him via EFT rather than cash because he is trying to make his business income more visible on his bank statement. When he receives cash payments he deposits most of it into his personal bank account. <i>“I prefer [to be paid] via banking more than cash. It makes it simpler for me in the future. If I want the credit to buy a house, or a car, or a loan for a machine for my business, it would be much easier if it [the payments] comes up on a bank statement.”</i>
<b>Suppliers</b>	Patrick buys supplies from a building supplies store near his home. The store owner knows Patrick by name and gives him credit for supplies. There is no formal contract for the credit. He purchases supplies using cash and his debit card. <i>“I often buy from my supplier on credit and know he keeps records of all credit on his laptop. I’m not sure if my ordinary purchases are recorded.”</i>
<b>Record keeping</b>	Patrick keeps limited paper-based records including a list of customers who owe him money and an appointment book.



### Spaza shop owner

Monthly revenue: <R20,000 Per month	Number of Employees: None	Age of business: 14 years	Business registration: No
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**Buyisa** runs a convenience store from his home. He sells groceries, gas for cooking, paraffin, data, airtime and electricity.

### Growth plans

Buyisa would like to start selling more vegetables and hopes to purchase an ice cream machine which costs R28,000. He has started putting money aside for this but has not considered taking credit to pay for it.

*"I would make a lot more money with an ice cream machine – especially in Summer. Nobody has one, and everybody loves ice cream."*

### Credit experience

In 2012, Buyisa bought a R320,000 property. He was able to pay R120,000 in cash and took out a mortgage with a bank to pay for the remaining amount. He is repaying R2,000 per month over 25 years.

Buyisa has never taken credit for his business, he feels that he will not be able to get a business loan as he operates from home and his business is not registered.

*"My biggest concern with credit is the interest rate. Other than that, credit is good when you can't afford to pay the full amount at once."*

DATA FOOTPRINT	
 <b>Open credit</b>	Has a secured loan (mortgage) as well as an account at a clothing retailer.
 <b>Regular payments</b>	Buyisa has municipal bills in his name and a pre-paid SIM card, he usually buys airtime daily.
 <b>Mobile phone and online usage</b>	He uses a simple feature phone and does not make use of any social media.
 <b>Bank account</b>	He has a personal bank account that he uses for his business.
 <b>Receiving payments into business</b>	Two months ago, Buyisa bought a card acceptance machine. The machine allows him to accept card payments and buy pre-paid airtime and electricity to sell. He does not know what the transaction charges are.  He likes receiving both cash and card payments because he has not figured out how to link the card machine to his bank account. Currently, he uses the money received on the card machine to buy electricity, data and airtime.  <i>"I receive about 25% of my income in card payments."</i>
 <b>Suppliers</b>	Buyisa buys stock from various wholesalers in his area, at most of these stores he has to swipe a membership card. He usually purchases stock with cash to keep his cash stocks low for security and to reduce wasteful expenditure.  <i>"I have a Makro card and a membership number for Jumbo and Food Town...I think that my suppliers would have records of my purchases because I have a membership number and a card ... but I'm not totally sure."</i>
 <b>Record keeping</b>	Buyisa keeps a written list of customers who owe him money, but aside from this he keeps very limited records. His Flash card machine provides him a high-level summary of payments received through the machine over the past month. The machine can also print a list of transactions, but only for the previous three days.



## Internet café

Monthly revenue: <R20,000 Per month	Number of Employees: 2	Age of business: 1 years	Business registration: Yes
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**Thandi** runs an internet café in Khayelitsha from a container on a secure property with 8 computers. While her business is relatively new, she previously ran a business that sold clothes.

### Growth plans

Thandi aims to grow her business by offering 3-month coding courses. Some local schools have already expressed interest. For this she will need additional computers and larger premises.

*"There is interest for a service to teach people how to code. People are very interested in training because it gives them the skills to go look for a job."*

### Credit experience

Thandi has an existing loan from a large bank for R47,000 which she got when she was running a previous business selling clothing. She got the loan because she had an account at the bank and could show that there were funds flowing into her account.

Thandi now has a business bank account with a different bank because she can get a revolving credit facility with them. She has not been able to access this yet because she has not had the account for long enough.

## DATA FOOTPRINT

 <b>Open credit</b>	Thandi has personal credit – a secured loan in her name.
 <b>Regular payments</b>	Thandi has a post paid mobile contract, uses a paid TV service and has a contract with an internet service provider that she pays monthly.
 <b>Mobile phone and online usage</b>	She has a smartphone that she uses in her business to pay bills and do banking. She has a personal Facebook account but does not have a business page. <i>"I use my phone to take photos of documents, talk to customers and pay my bills...I pay for electricity, airtime and all my bills using my cell-phone banking."</i>
 <b>Bank account</b>	She has a personal bank account as well as a separate business bank account.
 <b>Receiving payments into business</b>	Thandi receives payments from her customers in cash. She deposits the cash into her business bank account often to make her payments more visible to the bank, she is also worried about having too much cash on premises. She has considered getting a card acceptance machine. <i>"Before COVID, I deposited money [into a bank account] every second day ... that is how they [lenders] calculate how you keep up your finances. As long as they see the transactions they know your business is making money."</i> <i>"Because people see a lot of customers come in and out of the shop, people think the store has a lot of money so they want to rob it. So I don't like too much cash."</i> <i>"I spoke to the bank about getting a machine to accept payments. They showed me the advantages and disadvantages. But most of my customers come with cash because it's small amounts they pay. For example, it's R5 per copy so he can't swipe because it's too low. It's very rare for customers to spend more than R50 at a time. The card machines have a minimum."</i>
 <b>Suppliers</b>	Thandi buys stock including stationery from a large wholesaler. She must swipe a membership card when making purchases, but she uses someone else's card.
 <b>Record keeping</b>	Thandi keeps business records in an Excel spreadsheet including all her business expenses and income.



### Anti-spiking lid manufacturer

Monthly revenue: R20,000 - R40 000 Per month	Number of Employees: 5	Age of business: 2 months	Business registration: No
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**Eleanor** makes specialist anti-spiking drink covers. She operates from her home in Durban. Her product is available online through her website as well as in 15 stockists around the country.

#### Growth plans

Eleanor wants to scale massively to have her product available nationwide, so they are as accessible as possible. The aim is to sell 5000 units per month and continue to upskill women in their manufacturing process.

*"We are going huge!"*

#### Credit experience

Eleanor is actively looking for funding for her new business' expansion. She feels that credit is expensive,

but it is what is needed to get a business off the ground. As a sole proprietor, she doesn't distinguish between herself and her business.

*"I am the business, so I can't ringfence like that."*

Eleanor is finding it difficult to get a foothold with formal lenders, as they are more interested in operating history than growth potential.

*"No one is interested in a start-up... Unless you've got a rich parent or dying uncle, where are people supposed to find the funding?"*

DATA FOOTPRINT	
<b>Open credit</b>	Eleanor has a credit card and retail accounts personally, but no open business credit.
<b>Regular payments</b>	She pays for her personal phone contract, insurance, municipal accounts, and paid TV services by debit order and bank transfer. For the business, she regularly pays employees and suppliers by card payment and bank transfers from her business account.
<b>Mobile phone and online usage</b>	Eleanor has a SIM card and smart phone registered in her name. She makes use of mobile banking apps. Her business has a website, as well as Facebook, Instagram and LinkedIn pages for marketing and brand building and customer service and engagement.
<b>Bank account</b>	Eleanor has a personal bank account and a business bank account.
<b>Receiving payments into business</b>	As her product is sold both online and in physical stores, Eleanor receives payments by bank transfer, card payments, online payments via their website, in cash and using Zapper. She mostly receives payments via bank transfer, which she prefers as there is no service fee charged.
<b>Suppliers</b>	Eleanor has three suppliers, providing her with fabric, straws and eyelets for her product. While the relationships are only two months old, she feels that her suppliers have supported and bought into her business vision. Her straw supplier has given Eleanor 50% credit on one of her orders, despite it only being their fourth transaction.  <i>"They are excited about what we are doing, and help wherever they can."</i>
<b>Record keeping</b>	Eleanor uses the online accounting tool SMEasy to keep business records.



## Accounting advisory

Monthly revenue:  
R80,000 -  
R120 000  
Per month

Number of  
Employees:  
5

Age of  
business:  
6 years

Business  
registration:  
Yes

**Devi** runs an accounting, tax and advisory services firm with a main hub in Durban. Main clients are SMMEs in Durban, Johannesburg and Ladysmith. Operates from a rented office space in Durban.

### Growth plans

Devi would like to create a firmer footprint in Ladysmith and Johannesburg and open a branch in Cape Town. She plans to use savings created from COVID-related budget surplus to fund the expansion, but in other circumstances would not be opposed to using a business loan.

### Credit experience

Personally, Devi has had R1 million mortgage bond in the past. As a service-based business, her company has

minimal need for startup capital, but did successfully approach her bank for a R26,000 loan to purchase printers and a telephone system.

Devi is a strong advocate for MSMEs gaining access to credit more easily and believes there should be a way to leverage their own resources to keep themselves afloat.

*"I think we can leverage enough within the SMME space with what we have, provided we are not penalised by the normal system, because the normal system works against us."*

## DATA FOOTPRINT

 <b>Open credit</b>	Devi personally has credit in the form of a credit card, a mortgage, and retail accounts. Her business has no open credit.
 <b>Regular payments</b>	Her business makes regular business-related payments of rent, business phone contract, salaries and business insurance by bank transfers. Devi herself pays phone contracts, insurance and municipal accounts regularly using card payments and bank transfers.
 <b>Mobile phone and online usage</b>	Devi and her business partner have smartphones, and they make use of mobile banking for business transactions. They also have Facebook, Instagram and LinkedIn pages for visibility.
 <b>Bank account</b>	The business has a bank account separate from Devi's personal account.
 <b>Receiving payments into business</b>	Payments are largely made using bank transfers, and very occasionally made in cash. Income comes in in the form of monthly retainers from clients as well as payments for once-off projects.
 <b>Suppliers</b>	Devi's business' main day-to-day expense is printing paper, and as such doesn't require credit from a supplier. Other operating equipment such as computers were purchased from savings as a planned expense.
 <b>Record keeping</b>	Financial statements, other management accounts and HR records are kept on a secure database. Sage Online and Xero Accounting software are used to manage their own accounts and their clients' accounts.



### Fibre installation

Monthly revenue: R80,000 - R120 000 Per month	Number of Employees: 23	Age of business: 5 years	Business registration: Yes
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**Jane** runs a fibre connection business, offering turnkey fibre installation and connectivity solutions. Her main clients are businesses. She operates in Johannesburg, from a home office, and the rest of her team operates on-site.

### Growth plans

Jane wants to expand her areas of operation into the Western Cape, Limpopo and North West, as well as offering client-facing solutions. She also plans to buy a drill machine costing R2.1 million, financed by a mixture of business loans and reinvested profits.

### Credit experience

Jane has had a loan for personal reasons previously, but has never felt the need to apply for a business loan. She says that her business cash flow has always been sufficient to match day-to-day expenses.

Jane feels that debt can have its advantages but the risk appetite of credit providers is lessening as a result of people treating their debt poorly.

*"You don't have to dig deep in your own pocket.. [But] we can see already with the economy of the country it's getting more and more expensive to acquire debt."*

DATA FOOTPRINT	
<b>Open credit</b>	Jane has no open personal or business credit.
<b>Regular payments</b>	Jane makes regular business payments for employee salaries, suppliers and business insurance using cash, bank transfers and card payments.
<b>Mobile phone and online usage</b>	Has a smartphone and a SIM registered in her name and makes use of mobile banking apps for business transactions. Business has a website and a LinkedIn page.
<b>Bank account</b>	Jane has a personal bank account, and the business has a separate business bank account.
<b>Receiving payments into business</b>	All clients transfer money to the business bank account by EFT. Depending on the project, payments are received in the form of deposits or per milestones of the project.
<b>Suppliers</b>	<p>The main supplier to the business is a hardware store, which supplies the hardware and equipment to complete day-to-day tasks within a project. Jane has a good working relationship with her suppliers: every month she deposits a sum into her business bank account that pre-emptively covers costs and settles any remaining balance at the end of the month.</p> <p><i>"Instead of going through the whole process of opening a 30-day account with my suppliers, I give them money upfront for example R20 or R40 thousand... because we've maintained a good relationship with them, I would maybe take in surplus of R50 thousand... I sort of got like a revolving credit with my suppliers, if you want to call it that."</i></p> <p>Jane prefers to pay her suppliers via EFT as it generates a record of the payment.</p> <p><i>"I prefer it that way [EFT], because then I have a bank paper trail."</i></p>
<b>Record keeping</b>	Keeps records of sales, income, expenses, and client project sheets. Management accounts are outsourced to a bookkeeper who does use accounting software and sends through income and expenditure reports.



### Business training

Monthly revenue: R80k - R120k in a good month	Number of Employees: 3 full-time 3 part-time	Age of business: 10 years	Business registration: yes
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*Grace runs a business skills training company which caters to SMMEs. Her clients are typically Government organisations, private companies and SETAs. She helps with business registration, planning and skills as well as compliance and tender documents. She operates in Pinetown, KwaZulu-Natal from an open office space which she rents.*

### Growth plans

Grace has plans to expand her business and would consider taking credit for this, despite her general aversion to credit. She is passionate about teaching and would like to provide practical skills like sewing as well as educational assistance to school pupils. She would take credit to help finance a building (or school) where she could run training and workshops.

*"I would rather not owe anyone anything."*

She would consider taking credit to help her business grow but she hasn't thought about where she would get it from or how much she would need.

It should also be noted that Grace's monthly revenue fluctuates. In a **good month**, she receives between **R80 000 – R120 000** in revenue but in a bad month, she **doesn't have any** clients.

### Credit experience

Although Grace has had personal credit in the past, she **doesn't currently have** any credit (personal or business).

DATA FOOTPRINT	
 <b>Open credit</b>	Grace has had personal credit in the past but doesn't have any credit currently. She has never had business credit.
 <b>Regular payments</b>	Grace regularly pays for rent, phone contract, employees, suppliers, business insurance and business travel. She says that 99% of her payments are made electronically (EFT or card payment). She only uses cash for small purchases and for travel via taxi.
 <b>Mobile phone and online usage</b>	Grace has a smartphone and SIM registered in her name. She uses one phone but has two SIM cards – one for business and one for personal use. She uses her phone for Google, communication (email and WhatsApp), maps, Uber and mobile banking.  She would love to use social media for her business but her business is understaffed and she would need to hire someone who would be responsible for social media and marketing.
 <b>Bank account</b>	Grace has a personal and business bank account with FNB.
 <b>Receiving payments into business</b>	Grace only receives business payments via EFT into her business bank account.
 <b>Suppliers</b>	Grace's suppliers provide her with stationery and business training material. She has built a long-term relationship with the company that provides her with business training resources as she says it's important that she can trust the quality of the material. Grace pays her suppliers via EFT.
 <b>Record keeping</b>	Grace has a bookkeeper who is responsible for all recordkeeping. The bookkeeper's responsibilities include recording everyday transactions and filing bank statements and receipts. Grace also uses an accounting software which is synced with her business bank account called Xero. However, she is considering moving toward an FNB software which may be cheaper.



### Fudge manufacturer

Monthly revenue: R200,000	Number of Employees: 9	Age of business: 22 years	Business registration: VAT-registered sole proprietor
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**Tali** owns a fudge manufacturing business which she operates from a rented factory in Merrivale, KZN. Her customers are primarily retail clients and gifting companies but she also sells to cafés and tuck shops.

### Growth plans

Tali wants to grow her business “organically”. She works together with other businesses so that they can grow together (e.g. sell one another’s products, help with social media). She also has few clients that are interested in putting their branding on her product which will help her business grow.

*“Applying for credit isn’t the only way to grow your business.”*

### Credit experience

Tali applied for business credit to finance her vehicles. She has applied for credit unsuccessfully in the past

but she doesn’t know why it was rejected. However, she was granted a COVID-19 loan and currently has an overdraft on her business account.

*“I think they look at your business and they don’t think it’s a viable business to give credit to. I don’t think being a sole proprietor helps.”*

Tali expressed regret about taking credit in the past and does not plan to take credit in future.

*“Not taking credit allows me to have a tighter control of what is in the bank and what I am spending.”*

DATA FOOTPRINT	
<b>Open credit</b>	Tali currently has a credit card and a retail account. She has previously applied for business credit, both successfully and unsuccessfully. She currently has an overdraft on her business account. Tali was also granted a COVID-19 loan.
<b>Regular payments</b>	Tali pays for her personal insurance regularly by debit order. Her regular business payments include rent, a business phone contract, employee salaries, supplier payments and business insurance. She makes these payments from her business account.
<b>Mobile phone and online usage</b>	Tali has a personal and business smartphone and a SIM registered in her name. She uses mobile banking apps. Her business has a website, as well as Facebook, Instagram, LinkedIn and Pinterest pages which she uses for advertising products and promotions. She is most active on Facebook and Instagram.
<b>Bank account</b>	Tali has a personal bank account as well as a business bank account.
<b>Receiving payments into business</b>	Most of the payments that Tali receives are made by bank transfer into her business account. She also receives online payments as well as card payments, facilitated by FNB. She infrequently receives cash payments, usually for small purchases.
<b>Suppliers</b>	Tali has a good relationship with her suppliers and believes in supporting other small businesses. She doesn’t buy stock on credit but her suppliers would allow her to buy on credit. She pays her suppliers by EFT or a bank card.  <i>“I use a wholesaler that I’ve been with for a long time (5 years) and who has been very good to me. I believe that relationships are more important than anything else.”</i>
<b>Record keeping</b>	Tali uses Sage for her financial recordkeeping which has been beneficial to her business. It allows her to see what she sells, who has or hasn’t paid and how her customers pay. She will continue using Sage for the foreseeable future.  <i>“Importantly, it lets me see what my most popular product is which helps me to plan for the future.”</i>



## 6

## ALTERNATIVE DATA USAGE IN SOUTH AFRICA

## 6.1. Organisations using alternative data

*There are a number of innovative organisations collecting and using alternative data for credit scoring in South Africa. Selected examples of these organisations are explored in the case studies below.*

**Case Study 1: Collecting Data on Rental Payments - TPN**

TPN was launched in 2000 as a niche database specialising in collecting information on tenant behaviour. In 2006, TPN registered as a credit bureau under the National Credit Regulator and extended its database to include monthly tenant profile information.

The service is used mostly by property managers, estate agents and landlords who submit data on their tenants' payment behaviours to TPN via TPN's website.

In 2014, TPN entered into an exclusive arrangement with one of the primary credit bureaus, Experian, which would use the rental payment data to build more complete profiles of South African consumers. The reciprocal relationship between TPN and Experian enables TPN's clients, namely property managers, landlords and rental agencies, to gain a more detailed picture of prospective tenants.

In TPN's model, tenants are passive subjects of data analysis. This is a characteristic which has been noted in rental data bureaus in other countries. A drawback of the solution is that not all landlords and agents report rent payment information. According to TPN, they collect data from over 150 000 landlords. However, it is not clear whether this includes emerging small-scale landlords that have developed rental stock in backyards across townships in South Africa. To the extent that coverage in that sector is limited, it may be possible for entities that fund backyard developments to encourage landlords to submit data. Alternatively, tenant-led models could help to overcome this limitation. In the UK an innovative platform called CreditLadder<sup>34</sup> enables tenants to submit monthly rental payment history and thus build their credit profiles. The objective is to make them more creditworthy when it comes to mortgage loan applications. Tenants can submit their rental payment for free via open banking technology.

There is no comparable mechanism in use in South Africa.

### Case Study 2: Using smartphone metadata to generate credit scores - CredoLab

CredoLab produces digital scorecards based on metadata gathered from mobile phones.

Metadata is defined as data that yields information about other data. For example, metadata generated from a mobile phone might include the number of contacts, the number of contacts that are called on a monthly basis, the date and time of when new contacts are created or the number of new contacts created on a periodic basis. Metadata is generated by a digital device's phonebook, SMSs, and apps. The metadata does not contain the actual cell phone number, or any personally identifiable information associated with the contact. These indicators can help identify well-connected consumers.

CredoLab uses this metadata to measure up to 50 000 data points and correlates them with credit performance. Data is collected by downloading an app onto a smartphone. CredoLab collects the data once, upon submission of a loan application, but it has access to all historic metadata collected by that device. Explicit user permission is required by the app before any data is collected. According to CredoLab, in its Asian operations consent is granted 96 percent of the time.

CredoLab and bureaus that were interviewed highlight that the scores generated by CredoLab are not the only parameter used in making credit decisions. However, when the CredoLab score is used in conjunction with other more traditional payments data, it enhances credit predictiveness.

### Case Study 3: Utilising business transactions data to grant credit to merchants - Yoco

Yoco offers MSMEs payment solutions including card acceptance (MPOS) machines and online payment solutions. Transaction fees range from 2.6% to 2.95% of the transaction value and businesses can acquire an MPOS device for R499 which links to a smartphone or tablet. Yoco also offers additional business tools including a Point of Sale system which can be used for inventory management and to track sales and profits. Over 80 000 merchants use their payment solutions.

Yoco's loan product was launched at the beginning of 2019 in partnership with Retail Capital. Since it launched, over R170 million in loans has been disbursed to more than 4 000 merchants.

Loans range in size from R2 500 to R1 million with an average loan size of between R25 000 and R30 000. The loan is paid back automatically at an agreed percentage of daily sales through Yoco's payment solution. For example, if a merchant has a pay-back rate of 5% and daily card sales are R5 000, Yoco will automatically deduct R250 to repay the loan. Loan terms vary but are generally from three to nine months.

Yoco determines a merchant's affordability based on their transactions data. Aside from transactions data specific to a business, Yoco has information on different sectors in different locations because of the large number of merchants that use their solution. This data can be used to determine expected volumes, seasonality, and the proportion of sales which are likely to be in cash.

Yoco has refined its risk assessment processes to a point where only 30 days of transactions data is needed to make a loan assessment. The company says it experiences default rates of three percent.

Yoco is well placed to monitor the impact of its loans. It reports that, on average, a loan is associated with a 12 percent increase in sales volumes. The re-advance rate is 85 percent, illustrating that access to credit should not be a once-off event but an on-going business process.

*'There is a merchant who qualified initially for R6,000 for his first loan. The last loan he got was R100,000 which he used to set up a proper store'*

– Yoco interview

Yoco does not report data on loans granted or repayment information to credit bureaus.<sup>35</sup>

<sup>35</sup> Interview with Yoco, <https://www.yoco.co.za/za/>

#### **Case Study 4: Using stock purchasing history to grant credit to spaza shops - Zande**

Spaza shops – South Africa's equivalent to US 'Mom and Pop' stores – are an integral feature of South Africa's township economies. The spaza shop market is estimated (by Zande) to be worth R40 billion per year and 90 percent of transactions are conducted in cash.

Zande partners with suppliers to distribute stock to spaza shops. It also provides credit in the form of inventory finance. Zande is able to access discounts by buying in bulk and passes these discounts on to spaza shops. Stock is delivered directly to the spaza shop.

Spaza owners build a credit score by trading with Zande over a three to six-month period. Zande uses data on stock purchases as well as additional data collected as part of the sign-up process to generate a credit score. It also has access to data on shop location and turnover collected when it delivers stock to customers. The loans are very short term (usually 7 to 14 days).

Zande has developed a USSD-based platform which allows spaza shop owners to apply for credit and pay for stock/repay loans using low tech (feature) phones. The platform also facilitates cashless transactions between suppliers and retailers, eliminating the cash-in-transit risk for suppliers.<sup>36</sup>

#### **Case Study 5: Using business systems to grant credit to spaza shops - A2Pay**

A2Pay was founded in 2009 and provides business systems to spaza shops. The company offers a number of point of sale solutions which enable stock management, staff management and sales reports. The solution also allows businesses to sell pre-paid products including pre-paid airtime and electricity.<sup>37</sup>

A2Pay is partially funded by the Jobs Fund, a R9 billion fund established by the South African Government in 2011 to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. Through this funding A2Pay is able to offer qualifying spaza shop owners their systems at a subsidized price.

A2Pay uses the data collected through its systems to provide trade financing options to retailers. Business owners can borrow up to R50,000, to purchase stock items, trade and pay back the initial loan when the stock has been sold. Transactions are then recorded electronically and a credit history built for each business owner through A2Pay's in-store terminals.

More recently A2Pay has partnered with the SA SME Fund, a public private partnership developed to support the SME sector. A2Pay will receive funding to distribute loans to retailers using its platform. The fund hopes to benefit up to 10,000 spaza shop owners nationwide, over a period of about 10 years.

To date the loans have been successful, resulting in a 25% to 30% sustained increase in revenues for spaza shop owners.<sup>38</sup>

<sup>36</sup> <https://www.news24.com/citypress/business/meet-the-entrepreneurs-solving-the-biggest-headache-for-spaza-shops-20190328>

<sup>37</sup> <http://www.a2pay.co.za/>

<sup>38</sup> <https://www.businesslive.co.za/bd/companies/financial-services/2020-02-11-sa-sme-fund-invests-in-a2pay-to-finance-spaza-shops/>

### Case Study 6: Using telematics to extend credit to minibus taxis - SA Taxi

There are an estimated 250 000 minibus taxis on South Africa's roads<sup>39</sup> with 69% of South African households making use of them.<sup>40</sup>

SA Taxi is a vertically integrated business utilizing specialist capabilities, proprietary data and technology to provide finance to the taxi industry. It also provides taxi insurance.

The telematic devices installed in the vehicles used by SA Taxi's clients collect 22 billion data points including GPS tracking data. This includes trip duration, distance covered, idle time and average speed. The data is leveraged in both their insurance and financing business.

Signing up as an SA Taxi member also gives access to an extensive rewards programme which covers fuel and discounts on parts like tyres. The company is owned by a listed JSE firm, Transaction Capital, in which one of the main taxi associations (SANTACO) has a 25 percent share. In 2019 it announced that its portfolio consisted of 32 411 loans and was valued at R10.8 billion.<sup>41</sup>

### Case Study 7: Using imagery and analytics to provide farmers with information on their farms - Aerobotics

Aerobotics is an agritech business which specialises in farm monitoring processes using aerial data and AI software for crop pest and disease control.

The company uses satellites and drones to capture images of orchards to help farmers optimise yields and manage costs. It processes the aerial data through an in-house analytics programme, which makes use of machine learning to help farmers assess crop health and control for pests and disease. Farmers use this information to reduce costs and improve productivity.

In 2018, one of the major banks in South Africa, Nedbank, took a minority equity interest in Aerobotics. Nedbank's decision to invest in Aerobotics stemmed from the banking unit's strategic focus on agri-finance, a market in which it says is "under-represented".

The imagery and analytics employed by Aerobotics can generate yield estimates, which together with forward price estimates can be used to determine forward cash flows and biological asset valuations. In addition, imagery of the farm itself, including the size and position of dams and other physical infrastructure can be used to characterise how well the operation runs. Such information could be used for credit and risk modelling, Aerobotics is currently exploring how this could be done.

## 6.2. Models for sharing data

While previous sections of the report focused on whether specific alternative data points exist and could be useful for business lending purposes, it is also critical to consider how lenders would access this data. In the traditional bureau environment, data is largely collected from the data holder. For example, repayment information is collected from the credit provider or other data contributor, such as Mobile Network Operators and insurance companies, about their customers. The advantage of obtaining information from data providers is that verified positive and negative information is shared in a specified format on a regular basis.

<sup>39</sup> <https://techfinancials.co.za/2020/05/13/sa-taxi-uses-telematics-to-track-minibus-taxis-during-lockdown/>

<sup>40</sup> Transaction Capital Annual Results, 2019.

<sup>41</sup> <https://techfinancials.co.za/2019/11/26/sa-taxi-wants-to-use-tech-to-revolutionize-minibus-taxi-industry/>

However, in most of the cases described above, data is currently not being shared in the traditional SACRRA data environment. This is principally because there is no mechanism to compel the data holder to share the information and there is no incentive for the data holder to share the data. In some cases, data holders would not want to share the data as the data creates a significant competitive advantage, enabling them to assess and price risks that would be invisible to other lenders. In most instances, because there is no business credit information sharing in South Africa, repayment data associated with any credit granted on the back of this proprietary data is also not shared. Thus, companies like Yoco are not obligated to share the payments data collected via their payment solutions, nor would they be incentivised to do so. Beyond this, they are also not currently sharing any credit repayment information on the loans granted off the back of this data.

Credit bureaus interviewed as part of this study noted the difficulty in obtaining data.

*“Data partners can feel like ‘This is our data and if you look at our data in big batches, aren’t you just going to build up your own database?’. There needs to be a lot of education around what it is that we want to do, why do we want to do this and what is going to be the benefit for them. We need to position ourselves as the trusted Partner, although we have a good track record for running industry databases, there’s still a lot of skepticism around what we are going to do with our partners’ data.”*

– Credit bureau

*“One of the challenges that comes up with sharing data is predatory marketing practices. If you are going to share a list of pay as you go customers and make it available for other to see, your competitors can go and try and poach those customers.”*

– Credit bureau

The focus of the report has been on traditional models of sharing data which require data collected by a data provider, typically a lender, to be submitted to a centralised databank through which it is disseminated to a range of credit bureaus that enhance that data and create value-adding indicators for lenders which streamline credit decisioning processes. Alternative models of sharing data are beginning to emerge. These enable the data subject to share data with relevant parties directly. These models bypass data privacy constraints because the data subject shares his or her own data, and is not reliant on the data holder to do so. A number of case studies explored in this research use this method of sharing data:

CredoLab collects smartphone metadata and uses this to generate a credit score. To share this data, the loan applicant is required to download an app onto their phones and grant the app the necessary permissions to access and process their data.

CreditLadder in the UK uses open banking technology to allow tenants to submit their monthly rental payment information to the Rental Exchange which is then shared with credit providers directly.

Businesses in South Africa may be willing to share their data with lenders directly if it improves their chances of qualifying for loans and gives them access to better terms and interest rates. For example, an American company, Dun & Bradstreet charges businesses a fee to submit their own data to create a credit profile. Businesses are willing to pay to build a verified credit profile because it improves their access to credit.

### Case Study 8: Dun & Bradstreet

Dun & Bradstreet (D&B) is a leading global provider of business decisioning data and analytics. The company has information on 355 million businesses, each given their own unique D-U-N-S number which is used to track the business and its data throughout the global system. D&B collect a variety of information, generating thousands of data points on a single business.

Their “Credit Builder” offering allows businesses to create their own credit profile by submitting their payment history to D&B at a cost of US\$149 per month. Businesses are willing to pay to submit information because, as per the D&B website: “Building a strong credit profile may improve your chances to: qualify for loans, lower your interest rates, attract new customers, increase your cashflow and negotiate better payment terms”.

Businesses submit their financial information, business history, antecedents on the principals and expanded information about the operations of their business. D&B verify the information provided by contacting trade references and checking public records. Once the process is complete, companies can view their credit report and receive alerts when others request their credit report.<sup>42</sup>

The advantage of this method of data sharing is that it is not reliant on the data holder to share information, but rather the data subject. In addition, consent is acquired directly from the data subject who has a clear incentive to provide the data in exchange for favourable consideration by the lender.

Increasingly regulators are providing guidance for how verified data can be shared securely. In the UK, a recent publication outlines a suggested set of protocols for open banking that would allow customers to call their data and share it with specific third parties for a specific purpose. In India, the Government has created a digital document vault for all adults. These are described in case study 9 below.

### Case Study 9: Sharing data securely

#### Open banking

Open banking allows financial institutions to securely share customer and small business banking data with one another. Central to open banking is the concept that customers have control over their own data, giving the customer the power to grant financial institutions access to their financial records.

First implemented in the United Kingdom in 2018, open banking has started to gain momentum on a global scale. The Bank of England notes four key principles for successful open banking:

1. Public-private collaboration – Public authorities can provide credibility while private companies can deliver innovation.
2. Ensure trust, while supporting innovation - prioritise the interests of end-users to ensure data protection.
3. Leverage existing technology to make use of existing investments.
4. Open and competitive – use technologies that allow private companies to compete on equal terms.

Open banking has considerable benefits for MSMEs, allowing them to permission the use of their banking data to any financial institution, giving MSMEs access to a variety of credit options because of the increased and open information flow. South Africa has followed the global trend, with the Financial Sector Conduct Authority currently conducting research which will help overcome some of the barriers to implementing open banking in South Africa.<sup>43</sup>

<sup>42</sup> <https://www.dandb.com/credit-builder/>

<sup>43</sup> <https://www.iol.co.za/personal-finance/my-money/banking/exploring-the-new-frontier-of-open-banking-49004025>  
<https://www.nortonrosefulbright.com/en/knowledge/publications/a2242c15/open-banking-around-the-world>  
 Bank of England, 2020. Open data for SME finance: What we proposed and what we have learnt.  
<https://www.bankofengland.co.uk/paper/2020/open-data-for-sme-finance>

### DigiLocker (India)

In 2015, the Government of India launched its ambitious Digital India programme to transform the country into a digitally empowered society. The programme includes three core focus areas: digital infrastructure as a core utility for all, transactional services on demand, and the digitization of documents and records. Central to this effort was the launch and roll-out of India’s digital identity system for all residents, called Aadhaar. Aadhaar is a 12-digit unique identity number and record that allows a user’s identity to be verified and authenticated online, in real time. The record contains biometric data (fingerprints, iris scans and photograph), verified information including the user’s name, address, date of birth and gender, as well as any other optional data submitted by the user.

By leveraging the digital identity system, the Digital India programme launched the DigiLocker service for all Aadhaar users. DigiLocker is a virtual space for users to store and share documents with trusted parties. A key feature of the system is the ability for users to request personal documents directly from Government agencies and, likewise, for entities to request personal information directly from the users of DigiLocker with the user’s consent. In this way, the DigiLocker replaces the need for paper-based systems and ensures a high degree of accuracy as documents are obtained directly from the issuing parties (i.e. Government departments). In other words, DigiLocker is a secure document exchange platform between trusted issuers and trusted requesters/verifiers with the consent of the user/citizen.

#### How to use DigiLocker:



Download & install DigiLocker app



Sign up using phone number/Facebook/Google account



Sync your Aadhaar



Fetch documents from issuers



Share documents with requesters



Documents verified by requesters

According to the latest available statistics, the DigiLocker has 42.70 million registered users on the platform with 3.79 billion issued authentic documents. It has linked up with 161 issuer organisations including the National Ministry of Road Transport and Highways, the National Income Tax Department, and local state departments such as the Employees’ Provident Fund Organisation and Central Board of Secondary Education in Delhi, and the Directorate of Economics and Statistics in Rajasthan.<sup>44</sup>

DigiLocker provides services to over 40 registered requestor entities including public and private entities. Private sector entities include Whatsloan.com, a consumer and MSME loan provider, that requests users’ verified information directly from the DigiLocker during the loan application process.

<sup>44</sup> See: <https://digilocker.gov.in/public/dashboard#!>

Image source: <https://www.gadgetsnow.com/tech-news/using-government-of-indias-digilocker-yet-heres-how-you-do-it/articleshow/66967245.cms>



## RECOMMENDATIONS

### 7.1 Data pertaining to MSMEs and business owners

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*In light of the analysis undertaken by the project team, a number of recommendations are made with regard to data pertaining to MSMEs and business owners. These include recommendations on:*

1. Enabling business credit information sharing for MSMEs;
2. Incorporating specific sources of alternative data within this new enhanced credit information environment that characterises business activity;
3. Enhancing access to, and supporting the adoption of, digital payment solutions to augment the universe of useful and accessible alternative data;
4. Supporting the development of data sharing models that are led by business owners.

The implementation of these recommendations will require the active cooperation of a number of stakeholders. These stakeholders are identified alongside each recommendation, discussed in more detail below.

#### Recommendation 1:

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Introduce mandatory sharing of business credit information in South Africa. The research has highlighted a number of sources of alternative data for MSMEs that are sufficiently accurate and could feasibly be shared within the credit bureau environment. However, an over-arching limitation in South Africa is that there is currently no mandatory sharing of business credit information. Even for those businesses that do fall under the NCA, very limited credit information is currently being shared. Legislative initiatives are being taken currently to develop a broader National Credit Register which would encompass business data reporting.

As a first step, it is critical to close this gap.

Research has demonstrated the significant impact of credit information on access to credit for businesses. To date, Government has preferred direct interventions to support access to finance for MSMEs in South Africa, including the creation of earmarked funds administered by State entities. Going forward as budgets are adjusted due to the impact of COVID-19 on the fiscus, these interventions are unlikely to be affordable. A more efficient and arguably more effective intervention would be to enable the private sector to provide access to finance, facilitated by mandatory sharing of business credit data, enforced by regulators. Some specific recommendations are noted below:

#### 1.1 Develop comprehensive legislation to mandate credit information sharing for all small businesses

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**Stakeholders: National Treasury**

**Department of Trade and Industry**

**Department of Small Business Development**

**National Credit Regulator**

**Financial Sector Conduct Authority**

It is critical that MSME lending does not remain a highly profitable niche for specialist lenders that have sole access to alternative data. To enable contestability and bring MSME lending into the mainstream it is critical to mandate information sharing with regard to credit extended to MSMEs. In light of the limited scope of the NCA with regard to businesses, the NCA will need to be amended to cover all MSMEs in line with other widely used definitions. Alternatively, an additional law could be introduced that focuses specifically on business lending.

Presumably this intervention would be led by National Treasury and the Department of Trade and Industry with the support of the Department of Small Business Development, although this would need to be validated by further engagement with these and other affected stakeholders.

## 1.2 Enforce credit information sharing for businesses currently covered by the NCA

### **Stakeholder: National Credit Regulator**

**SACCRA**

**Credit bureaus**

The process of creating new regulations or amending existing regulations is a lengthy one, requiring extensive consultation and debate. However, there is significant scope to alter the credit information environment for MSMEs within the context of existing legislation with immediate effect. The National Credit Act (NCA) already requires lenders that grant loans to small juristic persons to share that data, but this is not easy to implement, due to the difficulty in credit providers determining or confirming the annual turnover of MSMEs. Changing this status quo should be an urgent priority for the National Credit Regulator (NCR). Where possible, information sharing should align with business layouts developed by SACRRA as part of its BusCRI initiative, and recorded as loans granted to juristic persons rather than individuals. This would enable the regulator to monitor and report on the number of small juristic persons that are credit active and the value of loans granted to these entities as part of its quarterly credit publications. Criteria are to be developed by the stakeholders to assist lenders to classify credit providers.

## 1.3 Increase the threshold delineating small juristic persons with the NCA

### **Stakeholder: Minister in the Department of Trade and Industry**

Beyond this, to expand the coverage of the NCA it would be a procedurally simple matter for the Minister in the Department of Trade and Industry to increase the threshold associated with small juristic persons. As noted, this is currently based on annual turnover and is set at R1 million. The threshold has not been adjusted since the Act was first introduced. If it had been adjusted in line with inflation it would currently be R2 million. There may well be scope for the Minister to increase the threshold beyond this without the need for extensive and time-consuming parliamentary debate.

## Recommendation 2: Incorporate alternative data on MSMEs within the bureau environment

### 2.1 Incorporate data on business bank accounts within the bureau environment

#### **Stakeholders: National Credit Regulator**

**Financial Sector Conduct Authority**

**Banking Association of South Africa**

**SACRRA**

**Credit bureaus**

A further critical intervention that would have broader ramifications beyond the small business sector would be to implement a set of open banking data standards to enable secure and permissioned data sharing between entities. A review of existing open banking initiatives in South Africa is beyond the scope of this report, although these are known to be in progress.<sup>45</sup> Nevertheless, it is clear that well defined standards that enable business owners to share their own verified information generated by banks, lenders and other service providers in a standardised format could dramatically reduce costs for lenders to access and process relevant data, and would enable increased competition in the MSME finance sector.

While transactions and balance data generated continuously by bank account usage is far too detailed and complex to be shared within a credit information sharing environment, it is possible to create useful indicators from this data that can easily be incorporated into a bureau environment. In line with the Commercial Credit

<sup>45</sup> See <https://www.ioi.co.za/personal-finance/my-money/banking/exploring-the-new-frontier-of-open-banking-49004025>

Data Sharing initiative in the UK,<sup>46</sup> these might include account open date and close date, current balance, credit/overdraft limit, facility status, minimum balance, maximum balance, average balance, credit turnover, debit turnover and rejected payments.

## 2.2 Incorporate data on merchant payment solutions within the bureau environment

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### **Stakeholders: MPOS solution providers**

#### **Credit bureaus**

By far, the most useful data for lenders that wish to assess the creditworthiness of a business is data pertaining to cash flows. There is no doubt that digitisation of what are currently cash transactions (both payments received and payments made) would improve the visibility of MSME activity and generate rich, accurate data that will facilitate access to credit.

As with banking and supply chain data, it will be necessary to create simplified metrics or indicators off this data in order to share it within a bureau environment. These metrics could include the total value of payments received, number of trading days in the month (i.e. days where at least one payment was received), average payment value and total payments received.

It is not clear whether merchant payment solution providers can be compelled to share data. A detailed review of all the regulations under which they operate would be required to assess this. To the extent that they cannot be compelled to provide data, they may be willing to share data with bureaus in order to access other shared data, particularly if complete and accurate business credit information is available in the bureau environment.

## 2.3 Incorporate supply chain data within the bureau environment

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### **Stakeholders: National Credit Regulator**

#### **Supply chain management companies**

#### **Credit bureaus**

A number of innovative solutions have recently come to market that support the supply chains of township businesses, most notably spaza shops. It is possible to develop indicators off this data structured similarly to those developed off bank accounts, including the date the service account was opened, number of suppliers accessed, and total value of supplies purchased. Given that the data is proprietary, it is unlikely that supply chain providers can be compelled to share data, but they may be willing to share data with bureaus in order to access other shared data.

## Recommendation 3: Drive adoption of digital payment solutions for small merchants in order to enrich the data footprints of MSMEs

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### 3.1 Drive down cost of existing digital payment solutions

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#### **Stakeholders: South African Reserve Bank**

#### **Payments Association of South Africa**

#### **MPOS solution providers**

The need to create accessible, affordable alternatives to cash for MSMEs is a priority. Current merchant solutions are expensive; those that rely on cards will require the purchase of a device or a monthly rental. In addition, at between 2.5% to 3%, the typical merchant fees levied on all card transactions in South Africa are high. Quite simply, existing solutions are a long way from being *better than cash*, and despite the very high exposure to the risk of theft as well as fees to deposit cash at bank branches, merchants may not shift away from cash to an expensive payments alternative, particularly if there is no real time settlement.

<sup>46</sup> The Commercial Credit Data Sharing initiative in the UK mandates banks to share account information and business loan and credit card performance for all their SME customers with credit reference agencies to stimulate competition in the SME lending market.

It may well be feasible to drive down costs associated with existing, widely adopted card-based solutions. An assessment of cost drivers and the potential to bring these down is beyond the scope of this report. Nevertheless, in light of COVID-19 and the very pressing need to open up township economies to private sector investment, measures of a temporary nature, including subsidies, might enable the market to develop more rapidly than it would otherwise. The Government of India, for instance, subsidised merchant fees on small transactions in an effort to encourage adoption of digital payment mechanisms.<sup>47</sup> Similar interventions in South Africa could target registered MSMEs that operate in townships.

### 3.2 Align the turnover tax threshold with the NCA threshold for small juristic persons

#### **Stakeholders: South African Revenue Services**

##### **Department of Trade and Industry**

Some MSME owners expressed a preference to retain cash as the primary means of transacting in their business to avoid taxation. However, this was not the dominant narrative. Many MSME owners understand the need for lenders to access verifiable data on the cash flows generated by their businesses and regularly deposit cash into their bank accounts, in large part, for this reason.

Nevertheless, to the extent that this is a barrier to formalisation, there is scope to appeal to SARS to review the existing turnover tax threshold for small businesses which has remained at R1 million in taxable turnover since the tax was introduced in 2009. Each year SARS reviews the taxable income bands within this threshold, increasing them to adjust for the effects of inflation, but the R1 million threshold has not been revised. We would suggest that this threshold and the turnover tax threshold are aligned and that this alignment is maintained on an ongoing basis. This would create a measure of consistency across Government in its efforts to support MSMEs. It may also alter the incentives of MSMEs that prefer to remain cash-based to avoid taxes.

### Recommendation 4: Enable MSME owners to access and share their own data through customer centric data sharing models

#### 4.1 Encourage the creation of platforms that enable data sharing

In light of the often-limited mechanisms to compel data sharing and the lack of incentives for data holders to do so, it would be useful for business owners to create their own credentials that can be shared with lenders. This self-reporting model requires the development of a set of data sharing protocols and platforms so that data subjects can request access to data from specific providers and share data for a specific purpose with a particular data user. These solutions rely not only on the incentives of lenders that need to access data and as a quid pro quo are prepared to share it, but also on the incentives of individuals and business owners to create a visible, verified record of activity in order to access credit.

There is a risk that only positive indicators are shared. However, lenders can consider longer time periods to track regular payments, or, in the case of data from systems such as point of sales systems and business systems, build APIs that can access all the data, not just a subset of data selected by the individual or business owner.

Aside from hosting data that could be found within a bureau environment, these platforms could host data that cannot currently be included within the bureau environment because data is not uniformly accurate, or cannot reliably be linked to an individual or a specific business.

This could enable business owners to share data on various payments made via a bank account, such as rental payments, insurance payments and other regular payments. Business owners could share data on payments received into a business via a point of sale system or data held within business systems such as business accounting and management systems.

<sup>47</sup> See Use of Alternative Data to Enhance Credit Reporting to Enable Access to Digital Financial Services by Individuals and SMEs operating in the Informal Economy, Guidance Note. PREPARED BY INTERNATIONAL COMMITTEE ON CREDIT REPORTING (ICCR), June 28, 2018.

## 7.2 Data pertaining to consumers

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*In addition to recommendations that pertain to MSMEs, the research has identified additional data sources that could be incorporated into the consumer credit environment. It is not necessarily the case that incorporating this data would enable more consumers to access credit. To the contrary; some of these additional data sources might encourage lenders to make more prudent lending decisions; an outcome which appears to be desirable in light of persistently high rates of default on consumer credit accounts in South Africa. At the same time, the incorporation of additional alternative data may also create stronger incentives for consumers to meet their financial obligations more broadly.*

As with some data pertaining to MSMEs, there may be limited incentives for some data holders to share data within a bureau environment. It is therefore important to enable consumers to request and share their own data.

Specific recommendations are outlined below.

### Recommendation 5: Incorporate alternative data on consumers within the bureau environment

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#### 5.1 Incorporate data on individual bank accounts

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**Stakeholders: National Credit Regulator**  
**Financial Sector Conduct Authority**  
**Banking Association of South Africa**  
**SACRRA**  
**Credit bureaus**

In line with the recommendation regarding the sharing of business bank account data outlined above, it would be useful to generate and share additional indicators generated off consumer bank accounts within the bureau environment. These indicators could be particularly useful where consumers have more than one bank account. Aside from indicators relating to how long an account has been open and active, indicators relating to failed transactions, including returned debit orders could be useful in enabling lenders to assess the ability of consumers to meet their financial obligations more holistically.

#### 5.2 Incorporate data on rental payments to small-scale landlords within the bureau environment

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**Stakeholders: TPN and other bureaus**  
**Funders of backyard rental units**

As noted, there is a dedicated rental credit bureau in South Africa that collects data from landlords. It is not clear how many of these are small-scale township landlords that have developed rental stock in backyards. To the extent that penetration within this segment is low, it would be very useful to encourage landlords to share this data. While it may be difficult to identify and approach individual landlords, TPN or other bureaus could work with entities that fund backyard development to encourage landlords to submit reliable data and to allow bureaus to share this data with funders. Aside from supporting landlords, data sharing would also support the housing journeys of tenants who may rent initially but who may wish to purchase a property with a mortgage in the future.

## 5.3 Incorporate data on municipal accounts within the bureau environment

### **Stakeholders: National Credit Regulator SACRRA Municipalities**

It would be ideal for all municipalities to share data on municipal accounts in the bureau environment. This would provide lenders with additional, useful data on the financial obligations of potential borrowers and would increase household incentives to pay municipal accounts. However, given the historically high levels of arrears and limited collections capabilities of many municipalities, the incorporation of such data into the bureau environment would, at best, be a poor predictor of repayment capacity. It may even be prejudicial to consumers. Nevertheless, municipalities actively encourage households to settle these arrears and commit to payment plans, often triggered by a property transfer. To date, municipalities do not share data with bureaus on these payment plans, and lenders typically do not include these financial obligations into their affordability calculations. It would be useful to share data on payment plans as an immediate first step in including municipal accounts in the bureau environment.

By effectively communicating to households that these payment plans will be shared with credit bureaus, it is likely to encourage payment. While some bureaus have started to develop relationships with municipalities, it may be worth raising awareness within municipalities of the benefits of sharing data and the mechanisms and system requirements to do so through local Government organisations such as South African Local Government Association (SALGA).

## Recommendation 6: Enable consumers to access and share their own data

### 6.1 Enable consumers to share their MNO data on pre-paid usage behaviours

#### **Stakeholders: MNOs**

Given the high coverage and high potential impact, a particular focus is warranted on the data generated and retained by MNOs on pre-paid customers. This underlying transactions data is accurate but cannot reliably be linked to an individual because of limited adherence to RICA processes.<sup>48</sup> It is therefore difficult to automate the process of sharing this data within a bureau environment. However, it is feasible for a specific individual to request access to this data in line with the provisions of PAIA. That said, the process of accessing this data is currently cumbersome. In addition, the format in which the data is provided is not readily usable by lenders.

It would be helpful for MNOs to enable easy access to this data, modelled on the data request processes that are offered by platforms such as Google and Facebook. While there is no mechanism to compel MNOs to offer such a service, an increase in the number of requests for data from clients may require them to do so, as current manual processes are expensive and not scalable.

As with other rich alternative data, it would be useful to create a standard set of useful indicators that can readily be requested by authorised (i.e. RICA'd) users. These indicators could include the length of time the SIM has been activated, monthly call and data usage, monthly recharge spend, and number of unique numbers contacted in a month, among others. Users could share this data with lenders directly.

### 6.2 Enable consumers to share their data on lay-by payments

#### **Stakeholders: Retailers**

As the consumer credit environment has tightened, retailers have begun to actively promote lay-bys. According to the FinScope 2019 survey, 18% of adults in South Africa have used a lay-by in the past 12 months.

There is no mechanism to compel retailers to share data on lay-bys. Credit retailers that offer lay-bys may be reluctant to share this data within a bureau environment as it would provide visibility on potentially credit-worthy customers which they would, presumably, want to exploit. Conversely, retailers that do not offer credit would have no clear incentive to share the data. However, consumers clearly have an incentive to share this data with lenders and can request access to this data in line with PAIA. As with MNOs, retailers will need to be encouraged to provide access to this data in a seamless process in a format that is useful for lenders.

<sup>48</sup> As part of the Government's crime prevention efforts, all SIM cards must be registered in compliance with the Regulation of Interception of Communications and Communication-Related Information Act (RICA). This registration allows a particular SIM card to be linked to a specific individual. However, there is evidence that the RICA process is often not followed and conversations with lenders and credit bureaus indicate that they do not trust that the data can be reliably linked to a specific person.

## APPENDIX: ADDITIONAL PROFILES OF BUSINESS OWNERS OPERATING IN TOWNSHIP AREAS

### Catering and Decorating – Social events and projects

**Business records are kept in form of written notes on income/expenses and a list of debtors (people who owe her money)**

#### IMPACT OF COVID

Business records are kept in form of written notes on income/expenses and a list of debtors (people who owe her money)

The business owner applied for a R20 000 loan but she was **not successful in getting the loan**.

<b>BUSINESS OVERVIEW</b> 		<b>SUPPLIER RELATIONSHIPS</b> 		
Monthly revenue	<b>R30,000 – 35,000</b>	Longest relationship with a supplier	<b>3 years</b>	
Operating premises	<b>Residential</b>	Ever bought stock on credit	<b>X</b>	
Number of employees	<b>10 employees</b>	Main way of paying suppliers	<b>Cash</b>	
Age of business (years)	<b>5 years</b>			
Registered	<b>✓</b>			
Belong to association	<b>X</b>			
<b>CREDIT BEHAVIOUR</b> 		<b>PAYMENTS</b> 		
Ever applied for credit for business	<b>✓</b>	Cash	<b>Receive payments</b> <b>✓</b>	<b>Make payments</b> <b>✓</b>
Plan to take a loan for business in future	<b>✓</b>	Credit/debit card		<b>✓</b>
Plan to take a loan to help business grow	<b>✓</b>	EFT	<b>✓</b>	<b>✓</b>
Personally have credit	<b>✓</b>	E-wallet/bank cash send		
<b>DATA FOOTPRINT (registered in own name/business name)</b> 				
<b>✓ Smartphone</b>		Secured loan		Internet contract
<b>✓ Banking app</b>		Lay-bys		Municipal bill
Prepaid SIM card (in own name)	<b>✓</b>	<b>Clothing accounts</b>		Rental contract
<b>✓ Personal social media</b>		Telephone (landline)	<b>✓</b>	<b>Electricity from Eskom</b>
Business social media	<b>✓</b>	<b>Paid TV</b>		Title deed
<b>✓ Cell phone contract</b>	<b>✓</b>	<b>Passport/ID</b>	<b>✓</b>	<b>Appointment book</b>
<b>✓ Personal bank account</b>		Business website		Keep receipts
<b>✓ Business bank account</b>	<b>✓</b>	<b>Personal computer</b>	<b>✓</b>	<b>Management software</b>
<b>✓ Unsecured loan</b>	<b>✓</b>	<b>Email account</b>		

## Clothing Business – Sells clothes online

### Business records kept relate to debtors list only (people who owe her money)

#### IMPACT OF COVID

This business had to close during the lock down and plans to reopen after the lock down.

The business owner interacts with customers online and delivers clothes personally.

The business owner spends about **R10,000** on her business monthly. Although she is unsure of her business' turnover, she estimates that her profit is **less than R2000** monthly.

<b>BUSINESS OVERVIEW</b> 		<b>SUPPLIER RELATIONSHIPS</b> 	
Monthly revenue	<b>Unsure</b>	Longest relationship with a supplier	<b>2 years</b>
Operating premises	<b>Online</b>	Ever bought stock on credit	<b>X</b>
Number of employees	<b>No employees</b>	Main way of paying suppliers	<b>Cash</b>
Age of business (years)	<b>2 years</b>		
Registered	<b>X</b>		
Belong to association	<b>X</b>		

<b>CREDIT BEHAVIOUR</b> 		<b>PAYMENTS</b> 		
			Receive payments	Make payments
Ever applied for credit for business	<b>X</b>	Cash	<b>✓</b>	<b>✓</b>
Plan to take a loan for business in future	<b>✓</b>	Credit/debit card		<b>✓</b>
Plan to take a loan to help business grow	<b>X</b>	EFT	<b>✓</b>	<b>✓</b>
Personally have credit	<b>✓</b>	E-wallet/bank cash send		

#### DATA FOOTPRINT (registered in own name/business name)

<b>✓</b>	<b>Smartphone</b>		Secured loan		Internet contract
<b>✓</b>	<b>Banking app</b>		Lay-bys	<b>✓</b>	<b>Municipal bill</b>
	Prepaid SIM card (in own name)	<b>✓</b>	<b>Clothing accounts</b>	<b>✓</b>	<b>Rental contract</b>
<b>✓</b>	<b>Personal social media</b>		Telephone (landline)	<b>✓</b>	<b>Electricity from Eskom</b>
<b>✓</b>	<b>Business social media</b>	<b>✓</b>	<b>Paid TV</b>	<b>✓</b>	<b>Title deed</b>
<b>✓</b>	<b>Cell phone contract</b>	<b>✓</b>	<b>Passport/ID</b>	<b>✓</b>	<b>Appointment book</b>
<b>✓</b>	<b>Personal bank account</b>	<b>✓</b>	<b>Business website</b>		Keep receipts
	Business bank account		Personal computer		Management software
	Unsecured loan	<b>✓</b>	<b>Email account</b>		

## Carpentry and Construction – Manufactures wardrobes and cabinets

**Only business records kept is a list of people who owe his business money**

### IMPACT OF COVID

This business had to close during the lock down and plans to reopen after the lock down.

While this business owner applied for R100,000 credit for his business, he was **not successful at securing the loan.**

The business owner **has insurance to cover** machinery.

BUSINESS OVERVIEW 		SUPPLIER RELATIONSHIPS 		
Monthly revenue	<b>R80,000</b>	Longest relationship with a supplier	<b>3 years</b>	
Operating premises	<b>Residential</b>	Ever bought stock on credit	✓	
Number of employees	<b>3 employees</b>	Main way of paying suppliers	<b>Cash</b>	
Age of business (years)	<b>4 years</b>			
Registered	✗			
Belong to association	✗			
CREDIT BEHAVIOUR 		PAYMENTS 		
Ever applied for credit for business	✓	Cash	Receive payments ✓	Make payments ✓
Plan to take a loan for business in future	✓	Credit/debit card		✓
Plan to take a loan to help business grow	✓	EFT	✓	
		E-wallet/bank cash send		

### DATA FOOTPRINT (registered in own name/business name)

✓	<b>Smartphone</b>		Secured loan		Internet contract
✓	<b>Banking app</b>		Lay-bys		Municipal bill
	Prepaid SIM card (in own name)	✓	<b>Clothing accounts</b>		Rental contract
✓	<b>Personal social media</b>		Telephone (landline)	✓	<b>Electricity from Eskom</b>
✓	<b>Business social media</b>		Paid TV		Title deed
✓	<b>Cell phone contract</b>	✓	<b>Passport/ID</b>	✓	<b>Appointment book</b>
✓	<b>Personal bank account</b>		Business website		Keep receipts
	Business bank account		Personal computer		Management software
	Unsecured loan	✓	<b>Email account</b>		

## Construction – Project Manager

### No business records kept

#### IMPACT OF COVID

This business had to close during the lock down and plans to reopen after the lock down.

The business owner has a **training license** but is not formally registered.

She employs people based on a **project basis**.

BUSINESS OVERVIEW 		SUPPLIER RELATIONSHIPS 		
Monthly revenue	<b>R40,000</b>	The business does not have suppliers as her customers buy their own building materials.		
Operating premises	<b>Residential</b>			
Number of employees	<b>10 employees</b>			
Age of business (years)	<b>4 years</b>			
Registered	<b>×</b>			
Belong to association	<b>×</b>			
CREDIT BEHAVIOUR 		PAYMENTS 		
Ever applied for credit for business	<b>×</b>		<b>Receive payments</b>	<b>Make payments</b>
Plan to take a loan for business in future	<b>✓</b>	Cash	<b>✓</b>	<b>✓</b>
Plan to take a loan to help business grow	<b>×</b>	Credit/debit card		
Personally have credit	<b>×</b>	EFT		
		E-wallet/bank cash send		

#### DATA FOOTPRINT (registered in own name/business name)

<b>✓ Smartphone</b>		Secured loan		Internet contract
<b>✓ Banking app</b>		Lay-bys	<b>✓</b>	<b>Municipal bill</b>
<b>✓ Prepaid SIM card (in own name)</b>	<b>✓</b>	<b>Clothing accounts</b>		Rental contract
Personal social media		Telephone (landline)	<b>✓</b>	<b>Electricity from Eskom</b>
Business social media		Paid TV	<b>✓</b>	<b>Title deed</b>
Cell phone contract	<b>✓</b>	<b>Passport/ID</b>	<b>✓</b>	<b>Appointment book</b>
<b>✓ Personal bank account</b>		Business website		Keep receipts
<b>✓ Business bank account</b>	<b>✓</b>	<b>Personal computer</b>		Management software
<b>✓ Unsecured loan</b>	<b>✓</b>	<b>Email account</b>		

## Fashion Designer – Making and selling clothes

**Only business records kept are the receipts from business payments/expenses**

### IMPACT OF COVID

This business had to close during the lock down.

Despite closing the business, the business owner is trying to make masks for their customers.

If one of the sewing machines broke, it would cost R6000 to replace. The business owner would try manage without the machine instead of getting a new one.

BUSINESS OVERVIEW 		SUPPLIER RELATIONSHIPS 	
Monthly revenue	<b>R5,000</b>	Longest relationship with a supplier	<b>10 years</b>
Operating premises	<b>Residential</b>	Ever bought stock on credit	<b>X</b>
Number of employees	<b>None</b>	Main way of paying suppliers	<b>Cash</b>
Age of business (years)	<b>16 years</b>		
Registered	<b>✓</b>		
Belong to association	<b>X</b>		

CREDIT BEHAVIOUR 		PAYMENTS 		
			Receive payments	Make payments
Ever applied for credit for business	<b>X</b>	Cash	<b>✓</b>	<b>✓</b>
Plan to take a loan for business in future	<b>✓</b>	Credit/debit card		<b>✓</b>
Plan to take a loan to help business grow	<b>✓</b>	EFT	<b>✓</b>	
Personally have credit	<b>✓</b>	E-wallet/bank cash send		

### DATA FOOTPRINT (registered in own name/business name)

<b>✓ Smartphone</b>		Secured loan		Internet contract
<b>✓ Banking app</b>		Lay-bys		Municipal bill
<b>✓ Prepaid SIM card (in own name)</b>	<b>✓</b>	<b>Clothing accounts</b>		Rental contract
<b>✓ Personal social media</b>		Telephone (landline)		Electricity from Eskom
<b>✓ Business social media</b>	<b>✓</b>	<b>Paid TV</b>		Title deed
Cell phone contract	<b>✓</b>	<b>Passport/ID</b>		Appointment book
<b>✓ Personal bank account</b>		Business website	<b>✓</b>	<b>Keep receipts</b>
Business bank account	<b>✓</b>	<b>Personal computer</b>		Management software
Unsecured loan	<b>✓</b>	<b>Email account</b>		

## Taxi Business – Claremont/Wynberg Route

**Business records kept are written notes of income/expenses and a list of (people who owe her money)**

### IMPACT OF COVID

This business had to close during the lock down and plans to reopen after the lock down.

The business owner has **two taxi vehicles**. He estimates that a broken part would cost **R1200** to repair.

<b>BUSINESS OVERVIEW</b> 		<b>SUPPLIER RELATIONSHIPS</b> 	
Monthly revenue	<b>R20,000</b>	Longest relationship with a supplier	<b>4 years</b>
Operating premises	<b>Taxi rank</b>	Ever bought stock on credit	<b>X</b>
Number of employees	<b>2 employees</b>	Main way of paying suppliers	<b>Cash</b>
Age of business (years)	<b>4 years</b>		
Registered	<b>✓</b>		
Belong to association	<b>✓</b>		
<b>CREDIT BEHAVIOUR</b> 		<b>PAYMENTS</b> 	
Ever applied for credit for business	<b>X</b>	Cash	<b>Receive payments</b> ✓ <b>Make payments</b> ✓
Plan to take a loan for business in future	<b>X</b>	Credit/debit card	
Plan to take a loan to help business grow	<b>X</b>	EFT	
Personally have credit	<b>✓</b>	E-wallet/bank cash send	

### DATA FOOTPRINT (registered in own name/business name)

✓ <b>Smartphone</b>		Secured loan		Internet contract
Banking app		Lay-bys	✓	<b>Municipal bill</b>
✓ <b>Prepaid SIM card (in own name)</b>	✓	<b>Clothing accounts</b>		Rental contract
Personal social media		Telephone (landline)	✓	<b>Electricity from Eskom</b>
Business social media	✓	<b>Paid TV</b>		Title deed
Cell phone contract	✓	<b>Passport/ID</b>	✓	<b>Appointment book</b>
✓ <b>Personal bank account</b>		Business website		Keep receipts
✓ <b>Business bank account</b>		Personal computer		Management software
Unsecured loan		Email account		

## Catering for local events and funerals

**Only business records kept are written notes on business income/expenses**

### IMPACT OF COVID

This business has had to shut during lockdown, and kept paying electricity expenses to run fridges.

Currently trying to buy an RDP house to use as business premises for her expanding business.

Deposits all of the cash she receives into her bank account.

<b>BUSINESS OVERVIEW</b> 		<b>SUPPLIER RELATIONSHIPS</b> 	
Monthly revenue	<b>R15,000</b>	Longest relationship with a supplier	<b>3 years</b>
Operating premises	<b>Residential</b>	Ever bought stock on credit	<b>X</b>
Number of employees	<b>2 employees</b>	Main way of paying suppliers	<b>Debit card</b>
Age of business (years)	<b>6 years</b>		
Registered	<b>✓</b>		
Belong to association	<b>X</b>		

<b>CREDIT BEHAVIOUR</b> 		<b>PAYMENTS</b> 		
			Receive payments	Make payments
Ever applied for credit for business	<b>X</b>	Cash	<b>✓</b>	
Plan to take a loan for business in future	<b>X</b>	Credit/debit card		<b>✓</b>
Plan to take a loan to help business grow	<b>X</b>	EFT	<b>✓</b>	<b>✓</b>
Personally have credit	<b>✓</b>	E-wallet/bank cash send		

### DATA FOOTPRINT (registered in own name/business name)

<b>✓ Smartphone</b>		Secured loan		Internet contract
<b>✓ Banking app</b>	<b>✓</b>	<b>Lay-bys</b>	<b>✓</b>	<b>Municipal bill</b>
<b>✓ Prepaid SIM card (in own name)</b>	<b>✓</b>	<b>Clothing accounts</b>		Rental contract
<b>✓ Personal social media</b>		Telephone (landline)	<b>✓</b>	<b>Electricity from Eskom</b>
Business social media	<b>✓</b>	<b>Paid TV</b>	<b>✓</b>	<b>Title deed</b>
<b>✓ Cell phone contract</b>	<b>✓</b>	<b>Passport/ID</b>	<b>✓</b>	<b>Appointment book</b>
<b>✓ Personal bank account</b>		Business website	<b>✓</b>	<b>Keep receipts</b>
<b>✓ Business bank account</b>		Personal computer		Management software
Unsecured loan	<b>✓</b>	<b>Email account</b>		

## Pig farmer

### Only business records kept are written notes of income/expenses

#### IMPACT OF COVID

This business stayed open but served fewer customers. The farmer still had to buy food for her pigs during lockdown.

The farmer would like to find more land so that she can have more pigs. She would not take a loan to acquire more land.

BUSINESS OVERVIEW 		SUPPLIER RELATIONSHIPS 		
Monthly revenue	R3,500	Longest relationship with a supplier	4 years	
Operating premises	Farm	Ever bought stock on credit	X	
Number of employees	None	Main way of paying suppliers	Cash	
Age of business (years)	4 years			
Registered	X			
Belong to association	✓			
CREDIT BEHAVIOUR 		PAYMENTS 		
Ever applied for credit for business	X	Cash	Receive payments	Make payments
Plan to take a loan for business in future	X	Credit/debit card	✓	✓
Plan to take a loan to help business grow	X	EFT		
Personally have credit	✓	E-wallet/bank cash send		

DATA FOOTPRINT (registered in own name/business name) 				
✓	Smartphone		Secured loan	Internet contract
	Banking app	✓	Lay-bys	✓ Municipal bill
✓	Prepaid SIM card (in own name)	✓	Clothing accounts	Rental contract
✓	Personal social media		Telephone (landline)	✓ Electricity from Eskom
	Business social media	✓	Paid TV	Title deed
	Cell phone contract	✓	Passport/ID	Appointment book
✓	Personal bank account		Business website	✓ Keep receipts
	Business bank account		Personal computer	Management software
	Unsecured loan		Email account	

